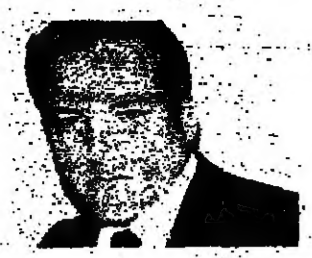

Conrad Black
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FINANCIAL TIMES

Europe's Business Newspaper | WEDNESDAY OCTOBER 21 1992 | D8523A

Citicorp profits held back by bad debt charges

Citicorp, the US bank, which has sought to boost its capital and stem losses, reported a $116m third-quarter net profit. Although much improved on the $885m loss suffered in the same quarter last year, Citicorp's performance reflects bad debt provisions and loan write-offs. Page 15

Toxic waste trade curbed: EC states are to be given the right to ban imports of hazardous waste for disposal, opening up an agreement to regulate trade in toxic waste. Page 14

Yugoslav aid suspended: The UN refugee agency has suspended relief convoys along the only all-weather road into Bosnia because uncontrolled "warlords" are targeting aid trucks. Page 14

Chrysler, US automobile manufacturer, underscored its recovery with third-quarter net earnings of $202m. Page 15

Worries over Yeltsin: A senior Russian official fears President Boris Yeltsin is being influenced by conservative forces, the second such warning in the past few days. Page 3

Allianz, largest insurance group in Europe, expects turnover to rise from DM48bn ($34bn) in 1991 to more than DM52bn this year. Page 15

VAT accord: The accord on EC-wide VAT rates and excise duties received a mixed reception from European business. Page 2

STC, British telecommunications manufacturer bought by Canada's Northern Telecom, has won a $370m contract to build the first fibre-optic cable linking Canada and Europe. Page 5

Petra Kelly found dead with partner:

Bonn has been shocked by the deaths of Ms Petra Kelly and Maj-Gen Gert Bastian, founder figures in Germany's Green party, who were found shot dead at home in Bonn. Police investigators said Ms Kelly, 44, co-founder of the Greens and one of its first MPs, had been shot by Gen Bastian, 69, who had then committed suicide. Page 3

N Korea embraces investment: North Korea announced a new foreign investment law, allowing foreign companies to set up wholly owned facilities in special economic zones. Page 4

Brazil redefines sell-off: The new Brazilian government plans to overhaul its privatisation programme, presenting it as a nationalistic policy that excludes "strategic companies". Page 6

Compaq Computer of the US unveiled record third-quarter sales at the same time as IBM, its chief rival, launched a new range of aggressively priced products. Page 17

Italy requests standby loan: Italy has asked for a standby loan of Ecu8bn ($11.2bn) from its EC partners who are likely to impose strict budgetary conditions in return. Page 2

SA law rejected: A multiparty committee of the South African parliament rejected a draft law to allow the extension of pardons to state officials for apartheid crimes. Page 4

Mitsubishi, Japanese carmaker, is to export cars to Europe from Australia, circumventing quotas on direct vehicle exports from Japan. Page 7; Proton motors through scepticism, Page 18

Mexico speeds devaluation: Mexico has accelerated the rate of peso devaluation against the dollar from 20 to 40 centavos a day. The move follows this year's real appreciation of the peso.

Salvador grave unearthed: Forensic experts have found a heap of small skeletons in a remote hamlet in El Salvador, possible evidence that soldiers killed hundreds of civilians, including babies and children, during the civil war.

IRS to probe Hollywood: The US Internal Revenue Service is setting up a special unit to look into the taxes paid by Hollywood's entertainment business. Some experts say the move could yield hundreds of millions of dollars.

California quake alert: Authorities have issued the highest possible earthquake alert for parts of central California after scientists said there was a chance of a major quake in the next 72 hours.

Wall Street: Because of production problems some US share prices have not been updated for this edition.

STOCK MARKET INDICES		
FT-SE 100:	2,617.8	(+54.8)
Yield	4.88	
FT-SE Eurotrack 100	1,021.78	(+20.78)
FT-A All-Share	1,229.53	(+1.9%)
FT-A World Index	136.77	(-0.4%)
Nikkei	16,987.86	(+83.85)
New York:		
Dow Jones Ind Ave	3,186.02	(-2.43)
S&P Composite	415.48	(+0.5)
US RATES		
Federal Funds:	2 13/16%	(3 1/16%)
3-mo Treas Bills: Yld	3.085%	(3.023%)
Long Bond	95 3/32	(96 1/32)
Yield	7.647%	(7.567%)
LONDON MONEY		
3-mo Interbank	7 13/16%	(8%)
Liffe long gilt future:	Dec 98 27/32	(Dec 97 13/32)
NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$20.75	(20.775)
Gold		
New York Comex	$343.8	(342.7)
London	$343.55	(342.95)

STERLING		
New York:		
$	1.82325	(1.825)
London:		
$	1.8255	(1.832)
DM	2.47	(2.42)
FFr	8.38	(8.21)
SFr	2.2125	(2.155)
Y	198.25	(195.5)
£ Index	80.2	(79.5)
DOLLAR		
New York:		
DM	1.5184	(1.5012)
FFr	5.148	(5.09)
SFr	1.3575	(1.343)
Y	122.45	(120.5)
London:		
DM	1.5195	(1.4835)
FFr	5.165	(5.03)
SFr	1.3685	(1.3215)
Y	121.95	(119.75)
$ Index	62.9	(62.1)
Tokyo close Y 121.90		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

Share and currency dealers seize on hope of German interest rate cut

Bundesbank signal lifts markets

By Peter Norman in London and Christopher Parkes in Frankfurt

THE PROSPECT of a fall in Germany's official interest rates yesterday triggered sharp upward movements in European equity markets, sterling and the dollar.

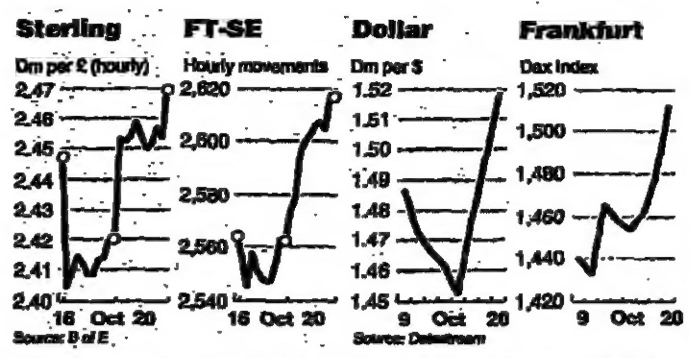
Operators in international financial markets seized on moves by the Bundesbank and a report in a leading German newspaper pointing to lower borrowing costs by the year-end as evidence that the German central bank was relaxing policy in response to a sharp slowdown in the German and international economies.

Sterling and the dollar gained strongly in London, with the pound advancing by 5 pfennigs against the D-Mark to DM2.47 and the dollar gaining 3½ pfennigs to DM1.5195.

Equities in London also bounded ahead, with the FT-SE 100 index closing just below its day's high at 2,617, up 54.8.

In Frankfurt, all but one of the 30 shares in the Dax index moved ahead for it to close 32.48 points or 2.2 per cent higher at 1,511.55, just below the day's high. Equities in France posted still stronger gains with the CAC 40 index closing 52.60 points or 3.1 per cent higher at 1,731.26.

Yesterday's surge of confidence in European markets followed a report in the Frankfurter Allgemeine Zeitung that the Bundesbank had told German bankers it wanted lower interest rates by the year-end.



The impression that the German authorities were encouraging lower rates was then reinforced by news that the Bundesbank was changing its method of supplying funds to the domestic money market. It said it would provide money to the market for the next 14 days by a variable rate repurchase agreement to replace fixed rate agreements expiring today.

Markets were further heartened by a statement from Mr Hans Tietmeyer, Bundesbank vice-president, that growth in the M3 measure of money supply was not the be-all and end-all of monetary policy. "M3 is and remains *one* important guideline. But we know there are other factors, such as currency inflows and the changed international competitive situation, which must be considered at the same time," he said.

According to Mr George Magnus, international economist of Warburg Securities in London, yesterday's events amounted to "an exciting development" and were "clearly confirmation that some changes in Bundesbank policy are afoot".

Mr Gerry Holtham, chief economist of Lehman Brothers in London, was less certain. He said the markets had probably over-interpreted the Bundesbank's actions and warned against expecting too sharp a fall in German rates.

The German domestic money market responded to yesterday's signals by aggressively pushing down the cost of borrowing over the months ahead. Mr Holtham said that by late yesterday the market was discounting a fall in German money market rates from 8.9 per cent to around 8.5 per cent in three months and a still steeper fall to around 7.8 per cent in six months' time.

The Bundesbank's short-term intentions will be clear today when it fixes the rate at which it lends to the banks. It is also due to release the figures for money supply growth in September.

Continued on Page 14

Scope of UK energy probe widened

By Philip Stephens, Political Editor, in London

THE UK government was confident last night that it had headed off a House of Commons defeat over coal closures by broadening the scope of its planned review to include a detailed analysis of Britain's long-term energy requirements.

The latest concessions to critics in the ruling Conservative party came as Mr John Major signalled a drive to restore his battered authority by rebalancing his economic policy to emphasise the priority of recovery.

The prime minister told colleagues he was willing to respond to the depth of the recession with further cuts in interest rates if public spending was kept under control. But he made clear that on one issue – his determination to ratify the Maastricht treaty – he was not prepared to give any ground to his critics on the Conservative backbenches.

With Conservative MPs deeply gloomy about the economy Mr Major indicated international deflationary pressures might allow interest rates to drop below the 8 per cent mark without risking an upsurge in inflation.

But he also warned that next month's autumn economic statement must see the tightest squeeze on public sector pay in recent memory if the Treasury was to convince financial markets that it remained serious about containing the pace of price rises.

The prime minister is said to be determined that the sharp cuts in most Whitehall spending programmes needed to meet the Treasury's targets should not fall on projects which have a direct impact on "jobs and growth".

Mr Major's decision to rebalance his economic policy came as ministers tried to restore discipline among Tory MPs after the government's embarrassing U-turn over the bulk of its coal closure programme. The latest concessions on the pit review were foreshadowed by Mr Michael Heseltine, trade and industry secretary, in meetings with Tory MPs designed to ensure their support in today's debate on the industry.

UK coal crisis, Page 7
Clean coal technology, Page 8
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Bush fails to impress voters in last debate

By Jurek Martin in Washington

PRESIDENT George Bush gave it his best shot on Monday night. But there was no immediate evidence, apart from the encouragement for his supporters, that his vigorous performance in the final US presidential debate had turned the electoral tide in his favour.

Four TV network polls found he was the least persuasive of the candidates. Governor Bill Clinton, the Democratic contender, was adjudged the "winner" in two, Mr Ross Perot, the independent, in one, while the other had these two tied. Only in the poll that gave the nod to Mr Perot was Mr Bush reckoned to have done as well as Mr Clinton.

This confrontation saw some spirited exchanges, with all three attacking on a variety of issues. The most eye-catching assaults, however, were launched by Mr Perot on Mr Bush over his pre-Gulf war policies towards Iraq as well as over Panama, the savings and loan scandals, the health of the banking system, the North American Free Trade Agreement, foreign attempts to take over US airlines and Republican "dirty tricks" in general.

Yesterday, a fortnight before the nation votes, Mr Clinton said he was struck by the intensity of Mr Perot's criticisms of Mr Bush – "he was really mad". He promised to continue in the final two weeks to hammer away at economic issues, a strategy that has brought him leads of 12-18 points in most national opinion polls and a commanding advantage at state level.

Mr Perot did not spare Mr Clinton, saying his economic policy – and Mr Bush's – "does not add up." He also charged that Mr Clinton's record as governor of Arkansas was "irrelevant" as a qualification for the presidency, while Mr Bush suggested it was an ominous warning. Mr Clinton sharply defended his stewardship of his state, which, he said, was going in the right direction while the nation was not.

Mr Bush repeatedly said there was "a dangerous pattern" to Mr Clinton's behaviour of not speaking the truth and that he was, therefore, not to be trusted in the White House.

Mr Clinton kept recalling Mr Bush's infamous "read my lips, no new taxes" pledge of four years ago and said that although Mr Bush was only too willing to cede control of economic policy to his campaign chief, Mr James Baker, "the person responsible for economic policy in my administration will be Bill Clinton".

This permitted the president one of his better interventions: "That's what worries me, he's going to be responsible." Mr Bush admitted he made a mistake in signing the 1990 budget act, imposed on him by a Democratic Congress, but said Mr Clinton refused to admit he had made any mistakes in Arkansas.

While Mr Clinton spoke in some detail of what he would do in the first 100 days of his presidency, Mr Bush fell back on the familiar litany of calling for a balanced budget amendment, caps on mandatory spending and, of course, no new taxes.

Republicans bid to woo women voters, Page 6

Presidential candidates Bill Clinton, Ross Perot and George Bush relax after the third and final televised debate on Monday

Germany determined not to build European jet fighter

By David White, Defence Correspondent, in London

GERMANY stood firm yesterday in its determination to scrap the four-nation European Fighter Aircraft project in spite of industry estimates that production costs could be cut by 20 per cent.

Mr Volker Rühe, German defence minister, dismissed suggestions by his UK counterpart, Mr Malcolm Rifkind, that Bonn *might still opt for a* revised version of the £20bn EFA. "The aircraft will not be built," he said.

Bonn wants the other partners to agree to switch EFA funding to a new aircraft, and in the meantime to slow down development work. But Mr Rühe made clear last night he was not seeking to build an aircraft without Britain.

Budget pressures in all four countries were working in favour of Germany's arguments, he said, adding: "I don't think the streets of Birmingham are plated with gold and silver."

He questioned whether Britain's coal miners would understand the need for continuing the EFA project.

Mr Rühe and Mr Rifkind avoided the subject when they met for breakfast before a Nato ministerial meeting yesterday at Gleneagles, in Tayside, Scotland.

The industrial consortium developing the aircraft sent its confidential study on possible cost savings to the four governments at the end of last week.

Mr Rifkind, describing the study as "most encouraging", said it indicated that costs could be lowered by some 12 per cent by rationalising production

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Fines for oil groups in French petrol row

By William Dawkins in Paris

FRANCE'S competition council yesterday imposed a total of FFr60m ($12.6m) in fines against the oil groups Shell, Esso and Elf Aquitaine, for setting unfair conditions on sales of lead-free petrol to supermarket chains.

This is the latest move in a long battle for shares in the petrol market between French supermarkets and the oil companies. The battle has centred on lead-free petrol, which has become far the fastest growing part of a sluggish French petrol market.

Lead-free petrol sales have steadily grown from less than a percentage point of total French petrol use in 1988, to 35.8 per cent of the total last month, according to the French oil industry union.

The complaint against the three companies was lodged by Edouard Leclerc, the supermarket chain which was the first to start selling petrol in the mid-1980s and has led a price discounting battle.

The council threw out claims by Edouard Leclerc that the oil groups were conspiring to drive up prices on sales to supermarkets, but it did find that they were imposing unfair conditions such as exclusive purchasing.

Esso, which has since stopped this practice, was fined FFr10m. Shell, which last year bought the petrol stations of Casino, another supermarket, was charged FFr20m and Elf FFr30m. The council threw out complaints that Mobil, Total and BP had also discriminated against supermarkets.

● The head of France's second biggest union was forced to resign yesterday under fire for a lack of leadership in the midst of near-record unemployment, Reuter reports.

Mr Jean Kaspar, leader of the Confederation Française Democratique du Travail (CFDT) since 1988, will be succeeded by national officer Nicole Notat. The CFDT claims 575,000 members spread across industry and services.

Bundesbank eases stance on rate cuts

By Christopher Parkes in Frankfurt

THE German Bundesbank yesterday clearly softened its intractable stance on lowering interest rates with the acknowledgment that international economic conditions were an important factor in its policy decisions.

A speech by Mr Hans Tietmeyer, vice-president of the central bank, which coincided with fresh Bundesbank manoeuvres to reduce short-term money market rates, was widely read as a signal that key rates, including the internationally important Lombard rate, could start falling soon.

Money supply growth was only one element in policy-making, Mr Tietmeyer told banking students. "But we know there are other factors, such as currency inflows and the changed international competitive situation, which must be considered at the same time."

The Frankfurt Stock Exchange responded with sharp gains, and the DAX index closed 32.48 points higher at 1,511.55, just below the day's high. Domestic bond markets also improved.

"Leading rate cuts become more likely with every meeting of the bank's central council," said Mr Martin Hüfner, chief economist at the Bayerische Vereinsbank.

However, there was no cause for euphoria. Reductions of half a point in the Lombard and discount rates were possible by the end of the year, Mr Hüfner suggested.

The relaxation of the bank's rigid attitude towards rates follows many months of fruitless appeals from abroad for interest rate reductions to help boost the international economy. But any cuts will be more closely related to easing the economic difficulties now crowding in on Germany.

According to Mr Hüfner, Germany is heading for a recession, with real falls in gross domestic product in the second half of this year and the first half of 1993.

The Bundesbank is walking a tightrope, he said. Relaxation was possible in the light of the economic situation, but the bank had at the same time to maintain its reputation as the unflinching guardian of D-Mark stability.

According to Mr Tietmeyer, recent moves by the Bundesbank demonstrated that its attention was not fixed "dogmatically and exclusively" on the M3 money supply measure.

In recent weeks, influenced by changed competitive conditions – brought about by the effective revaluation of the D-Mark against most European monetary system currencies – it had steered overnight rates downwards.

They were now 1.5 percentage points lower than at the start of September. Capital market rates of below 7.5 per cent were the lowest since late 1989, he added.

But the revaluation is also damaging an export-based economy which was already showing marked signs of strain. New orders for German industry have fallen for six months in succession, and hopes of recovery abroad or at least an improvement in domestic consumer demand have failed to materialise.

Queen Elizabeth and Chancellor Helmut Kohl discuss Anglo-German ties before lunch in Bonn yesterday. German government sources described the meeting later as "very friendly".

The Queen was meeting Mr Kohl before heading into Germany's former communist east for the rest of her trip, her first visit to this part of Europe.

EC's VAT rate accord wins mixed reception

By Andrew Hill in Brussels

THE formal accord on EC-wide VAT rates and excise duties received a mixed reception yesterday from European business.

EC finance ministers agreed a deal late on Monday night in Luxembourg, after clearing the final hurdle to unanimous approval – a dispute between Britain and Spain about the duty applied to sherry in the UK. They had come close to agreement in July, but were thwarted by the objections of some member states to specific aspects of the deal.

The package of eight directives will fix a legally binding minimum VAT rate of 15 per cent across the Community until 1996, and minimum duties on a range of other products including tobacco, alcohol and mineral oils.

Earlier legislation imposed a new transitional VAT system on the Community which will allow member states to do away with the 60m or so forms filled in annually at borders to control indirect tax.

Ministers and the European Commission welcomed the accord as a great step towards a border-free single market after January 1 1993, although it will leave rates in Europe virtually unchanged.

But Mr Jean-Yves Muylle of Unice, the pan-European employers' confederation, said: "The agreement is certainly a good thing, but we are still concerned by the system which should come into force on January 1 1993." Unice believes the transitional system will impose undue administrative burdens on business.

Speaking in Edinburgh, Mr Tim Jackson, of the EC Association of Alcohol and Spirit Drinks Producers, said the deal would "do nothing to harmonise the widely differing excise rates levied on spirits throughout the EC" or to reduce distortion of competition between spirits and other alcoholic drinks, such as beer and wine.

Europia, the petroleum industry body, warned that differing excise duties on products such as heating oil might encourage cross-border fraud. "Legally everything is clear, but fraudsters are very intelligent and [the deal] does offer every opportunity for fraud," said Mr Gilbert Portal, secretary general of the association.

● European cigarette manufacturers said they were "dismayed" by the approval of a 57 per cent minimum excise duty on tobacco, AP-DJ adds.

The Confederation of EC Cigarette Manufacturers (CECCM), which represents two-thirds of the EC's domestic cigarette market, said the decision could encourage bootlegging once internal EC borders disappear. It "creates a serious risk of cigarettes being traded illegally from lower-taxed countries to higher taxed countries," CECCM said.

The price of cigarettes varies from Ecu22 for 1,000 in Spain to Ecu144 in Denmark. The industry fears that once borders drop it will be impossible to prevent bulk buying in low-price countries for resale in high-price countries.

Slovakia delays Danube dam plan

By Nicholas Denton in Budapest

THE European Community has stepped in to avert confrontation between Hungary and Slovakia, just as Slovakian constructors are poised to block and divert the Danube River into the controversial Gabcikovo power plant against furious Hungarian opposition.

The EC has invited Slovak and Hungarian negotiators to meet today in Brussels to try to hammer out a compromise solution to the dispute which has further strained the two countries' already troubled relations.

The EC's initiative in hosting last-minute talks put on hold Slovakia's plan to begin damming the river yesterday but the delay represents only a stay of execution and the chances for agreement remain slim.

EC environment commissioner Mr Karel Van Miert had urged Slovakia to avoid taking an irreversible step to complete the project before negotiations, but made no further intervention or offer to mediate.

Both sides have painted themselves into a corner, with Budapest claiming that the 40km diversion of the Danube, its northern border, would be an environmental catastrophe and a territorial violation.

Slovakia's position is equally firm, because of the cost of abandoning the project.

EC partners likely to impose strict conditions

Italy seeks Ecu8bn loan

By Robert Graham in Rome and Andrew Hill in Brussels

ITALY has asked for a special stand-by loan of Ecu8bn ($11.2bn) from its European Community partners, but the EC is likely to impose strict budgetary conditions before it agrees to the request.

The Italian government announced it had begun talks on a loan facility at the beginning of the month. In asking for Ecu8bn, Italy has sought the maximum funding possible from its Community partners to offset the loss of reserves supporting the lira last month. The figure is considerably higher than the Ecu5bn which had been mentioned unofficially.

Rome has indicated its willingness to accept EC conditions. Commission officials said yesterday that in practice a maximum of Ecu10bn was available to Italy under rules which allow the EC to help countries experiencing balance of payments problems or adverse capital movements. Under such rules, the EC would go to the capital markets to raise the money, using its own guarantees.

Preliminary discussions on the EC loan have been going on for two weeks.

Commission officials confirmed yesterday that the quickest timetable for approval would involve submitting the plan to the EC monetary committee – made up of senior central bank and treasury officials – on November 16, and to finance ministers a week later.

The loan is also likely to be conditioned by the timing of the approval of the main measures in the 1993 Italian budget and a decision on when the lira re-enters the European Monetary System, which it left, along with sterling, on September 17.

● Foreign Minister Emilio Colombo, calling for rapid parliamentary approval of the 1993 austerity budget, yesterday said the vote would determine Italy's standing in the Community, Reuter adds from Rome.

"It is up to us Italians to decide whether we belong to the first, second, third or fourth division of the EC – or whether we are out of the Community altogether," he said.

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NEWS: EUROPE

Petra Kelly pictured in the Bundestag in 1983 seated between the late Willy Brandt, then SPD party chairman, and Marieluise Beck-Oberdorf, a fellow Green MP

Petra Kelly shot dead by partner, police believe

By Quentin Peel in Bonn

BONN'S political establishment has been shocked by the deaths of Ms Petra Kelly and Mr Gert Bastian, founder figures in Germany's Green party and peace movement in the 1980s. The two were found shot dead at home in Bonn, almost three weeks after they were last seen or spoken to.

Police investigators said yesterday that Ms Kelly, 44, co-founder of the Greens and one of its first MPs in 1983, had been shot by Mr Bastian, 69, who had then committed suicide. No message was found.

Mr Bastian, a former major-general in the Bundeswehr, was himself a leading figure in the German peace movement, having retired early from the army in 1980 in protest at the deployment of cruise missiles. He was a curious political convert, having once been a member of the right-wing Christian Social Union, latterly belonging to the international organisation "Generals for Peace".

Both had become alienated from the mainstream of the Greens, disillusioned with its bickering and faction-fighting.

The extent to which Ms Kelly and Mr Bastian had withdrawn from the public eye was underlined by the length of time before their partially decomposed bodies were discovered on Monday night.

Colleagues in the Green party said Ms Kelly had been depressed by the political situation in Germany, in particular with the attacks on asylum-seekers, and the mood of hostility to foreigners. However, they did not believe depression was enough to explain suicide.

She was a product of the anti-Vietnam war movement in the US, where she studied in the 1960s, and brought something of that movement to the founding of the Greens. She was an extrovert and a charismatic speaker, at ease with political leaders, and an important source of encouragement for protest movements in former East Germany.

Recession chills Green parties

David Marsh and **William Dawkins** on a decline in political fortunes

THE DEATH in peculiarly macabre circumstances of two leading personalities from the German Green movement comes at a highly difficult moment for Europe's ecology parties.

The waif-like figure of Ms Petra Kelly – sympathetic, mercurial, articulate and neurotic – became an early symbol of the Greens' Europe-wide potency as the movement picked up momentum in the late 1970s and early 1980s.

Her demise, together with that of her companion, Mr Gert Bastian, coincides with a decline in the Greens' political fortunes in most countries across the continent. There is no shortage of awareness of *the importance of environmental* issues, registered in the membership figures of organisations like Greenpeace and Friends of the Earth. Greenpeace's German organisation has 700,000 members – roughly 30 times as many as the German Greens.

But the environmental movement in most European countries is weathering a crisis. Not only has fractiousness replaced cohesion as the main political hallmark of many Green parties, the economic downturn has cast a considerable pall over efforts to make Green issues a government priority.

Mr Jonathon Porritt, one of Britain's best-known environment campaigners, *said last* month that he would cease to play an active role in the Green party. Paying tribute yesterday to Ms Kelly's importance in building up the Greens' international reputation, *he pointed to the* "central paradox" of the movement. "It flourishes only when unsustainable economic growth also flourishes. If awareness, activity and commitment depend on policies which end up *destroying the earth, we will* have to think of ways of countering that."

Ms Kelly was a folk heroine *of* the west German Greens' political upsurge up to the mid-1980s.

She imparted life and energy to environmental ideas which, in many cases, have permeated the policies of mainstream parties throughout the continent. Commenting on Ms Kelly's drive well beyond Germany's borders, Mr Gerd Leipold, disarmament co-ordinator of Greenpeace International, and a former head of Greenpeace Germany, said yesterday, "Everyone was impressed and a bit frightened by her activities. She was very active, if not hyperactive."

Yet Ms Kelly became progressively disillusioned with the Greens' standing in Germany and abroad *during* the past few years.

As long ago as 1987, she voiced deep discontent that the party had developed into "a typical German party" beset by theological feuding and factional rivalry. *In the December* 1990 unified German elections, the Greens lost their representation in the Bundestag.

In the past two years, Ms Kelly was particularly mortified by the negative effects of reunification on former members of the dissident movement in eastern Germany.

Ironically, it has been France – long disdained by the German Greens as a place where environmental issues were given *minimal hearing* – where the movement has lately received its strongest international boost.

In last March's regional elections, 18 per cent of the electorate voted for France's two ecology parties, the Verts, headed by Antoine Waechter, a European MP from Alsace, and Génération Ecologie (GE) headed by Mr Brice Lalonde, a former environment minister in the Socialist government.

The vote made them the third largest political force in France after the Socialists and the right, and gave the Verts the first chairmanship of a regional council.

In Germany, if federal elections were held tomorrow, the Greens would probably re-enter parliament as a result of protest votes triggered by the economic and social consequences of unification.

But the thought is likely to *be of little consolation to* Green party activists who, across much of Europe, seem simply to have lost their way.

Former foes to discuss keeping the peace

By David White in Gleneagles

COLLABORATION on military peacekeeping operations between Nato and former Warsaw Pact countries is to be discussed by defence ministers early next year.

Nato ministers backed a German proposal made at a meeting yesterday of the Nato nuclear planning group. They also sought to ensure that France – which stands outside Nato's military organisation – should be fully involved in *allied peacekeeping initiatives.*

Britain, the US and other allies yesterday put forward concrete proposals to help Nato prepare for peacekeeping operations, such as in former Yugoslavia. Mr Volker Rühe, *the German defence minister*, said Bonn was willing to increase its logistical support for humanitarian relief efforts in former Yugoslavia, but would not send soldiers.

The alliance decided in June *that troops and equipment* could be used for peacekeeping outside Nato territory. So far there have been no requests from the Conference on Security and Co-operation in Europe for such units.

Influence of conservative forces growing in Moscow

Worries over Yeltsin's path

By John Lloyd in Moscow

A SENIOR Russian government official yesterday told a group of western correspondents he feared that President Boris Yeltsin was under the influence of conservative forces and was signing decrees contradicting the course of economic reform he himself had charted.

The official, who is closely *associated with the economic* reform team brought into government a year ago by Mr Yegor Gaidar, the acting prime minister, said at least four *ministers were likely to* be dropped from the cabinet in favour of conservative figures. He named Mr Andrei Nechaev, *the economics minister and* Mr Peter Aven, the foreign trade minister, both criticised by Mr Yeltsin in a speech to the Russian parliament two weeks ago *for ineffective work*.

Russia's conservative parliament renewed its challenge to the authority of President Yeltsin yesterday, restating a disputed claim to ownership of the newspaper, Izvestia, Reuter reports from Moscow. Mr Yeltsin issued a decree in September establishing Izvestia as a separate legal entity under state control to keep it out of the hands of opponents of reform in Parliament.

This is the second warning in the past few days issued by senior figures to foreign reporters about the growing strength of a conservative, or reactionary, movement.

The first, last Friday evening, was backed by five officials of ministerial or presidential adviser rank, including Mr Andrei Kozyrev, the foreign minister and Mr Anatoly Chubais, a deputy prime minister *in charge of privatisation*.

Yesterday's warning was made on condition that the official – a deputy minister – was not personally identified. In contrast to the warnings made by the ministerial group, he claimed Mr Yeltsin was going along with pressure to change course, rather than being threatened by it.

This view accords with the impression made by Mr Yeltsin in parliament, when he told the government not to rely only on its own ideas for economic reform and dwelt on the many mistakes made by it.

The official pointed to Mr Yeltsin's signing yesterday of a decree creating one single joint stock company controlling all *of the Russian gas industry*.

The official said the signing of the decree, which could not be confirmed by the president's office last night, ran directly counter to the government's policy to break the industry into three or four competing companies.

Big rise forecast in Russian jobless

UNEMPLOYMENT in Russia is likely to soar to higher levels than those in east European countries, according to a study *just completed by the International* Labour Organisation, writes John Lloyd.

The report, which will form the backdrop to a conference opening today in Moscow, covered over 500 enterprises employing more than half a million workers. It shows that the decline in production and employment is accelerating in *every sector of industry*.

Enterprises have cut around 15 per cent of their workforces in the past year, according to the study, and nearly half those surveyed expect a employment to fall further in 1993. The majority of enterprises said they could maintain current output with an average of 18 per cent fewer workers.

Nearly 70 per cent of the enterprises surveyed planned to privatise themselves in the coming year – a change likely to lead to further loss of jobs.

In addition, the report says, capacity utilisation in Russian companies fell from around 83 per cent in 1989 to 75 per cent in mid-1992. Chemicals, basic metals and engineering are the *sectors most badly hit*.

Mr Guy Standing, head of the ILO's East European office, said official figures showing a 1-2 per cent unemployment rate in Russia grossly underestimated the problem.

N Korea unveils law on foreign investment

By John Burton in Seoul

NORTH KOREA yesterday appeared to take its first step along the "capitalist road" by announcing a new foreign investment law.

The communist state said it would allow foreign companies to set up wholly-owned facilities in special economic zones.

It also provided details on the taxation of foreign concerns for the first time, with a corporate tax rate of 14 per cent for companies operating in the special zones.

Foreign companies will also be given tax concessions during the initial five years of operation if they are involved in high-technology industries, resource development and infrastructure construction.

The new law, which was approved by parliament two weeks ago, is a revision of the country's 1984 joint venture rules.

Most of the joint ventures now in North Korea are small light industrial enterprises involving pro-Pyongyang Koreans living in Japan.

The total capitalisation of joint ventures is estimated at $100m.

No western company has invested in North Korea since it defaulted on international loans in the 1970s.

The move by North Korea to attract foreign investment is meant to revive its ailing economy which contracted by 5.2 per cent in 1991 due to a shortage of oil and foreign currency following the deterioration of trade relations with the former Soviet bloc.

China, Pyongyang's closest ally, has tried to convince the North Koreans that the adoption of Beijing's market measures, including economic zones, will help them avoid the fate of their former socialist allies in eastern Europe.

North Korea announced last December that it was establishing economic zones in the north-east ports of Sonbong and Najin.

It also held recent talks with South Korean companies about an industrial park in the western port of Nampo, near Pyongyang.

The new investment law, unlike the joint venture law, will allow foreigners to remit part of their profits abroad.

It also guarantees property rights, and promises compensation in the case of "unavoidable" nationalisation.

Foreign companies can lease land for up to 50 years in the zones and they will be exempt from tariffs on imported goods, except those designated by North Korea.

However, western companies are likely to remain sceptical of the liberal terms offered since they are still owed millions of dollars for products delivered to North Korea two decades ago.

North Korea also has one of the worst credit ratings in the world due to its loan defaults.

Although Pyongyang announced the new investment law on its overseas news services, no mention was apparently made to the North Korean public, according to South Korean officials.

"The Pyongyang regime may not have wanted to shock the public with a report that could be viewed as an abrupt policy shift to the capitalist line," said one official with Naewoe Press, the Seoul agency that monitors the North Korean media.

Chris Patten, Hong Kong's governor, fields journalists' questions after being welcomed to Beijing yesterday by Chen Ziying (right) deputy director of China's Hong Kong and Macao Office. It is Mr Patten's first visit to China as governor.

Bribery claims hit Labor in Australia

By Kevin Brown in Melbourne

THE political integrity of Australia's ruling Labor Party was severely damaged yesterday by the conclusions of an inquiry into allegedly corrupt relationships between politicians and businessmen in Western Australia.

Two former Labor premiers of the state were criticised by a Royal Commission appointed to investigate a series of business dealings known as "WA Inc", which are alleged to have cost taxpayers more than A$1bn ($423m).

The most serious criticism was of Mr Brian Burke, premier from 1983-1988, who was found to have acted improperly in handling political donations from businessmen, and in the 1987 rescue of an investment bank run by Mr Laurie Connell, a WA entrepreneur.

The inquiry also criticised Mr Peter Dowding, who replaced Mr Burke as premier and Mr Ray O'Connor, the last Liberal (conservative) premier of WA, who was accused of accepting a A$25,000 bribe.

The report is likely to prove highly damaging to WA's minority Labor government, and to Mr Paul Keating's federal Labor government, which must hold its seats in WA to win the next federal election, due by June next year.

The six-volume report made no significant mention of federal politicians, in spite of speculation that illicit campaign funds solicited in WA may have helped finance Labor's 1987 and 1990 federal election campaigns.

However, the WA government did not release an appendix to the report dealing with possible breaches of criminal law, which was sent direct to the state's director of public prosecutions.

The Royal Commission said there was impropriety by politicians and public officials in a number of areas, including the award of a casino licence and a purchase by the state government of a mining company from Mr Alan Bond, the former chairman of Bond Corporation Holdings.

The Commission is expected to produce a second report, in addition to its confidential recommendations to the DPP, recommending substantial changes in government procedures to prevent corruption, including strict restrictions on political appointments to the public service.

Japanese money supply declines

By Steven Butler in Tokyo

JAPAN'S broad money supply contracted by 0.4 per cent in September - the first year-on-year decline on record - in a reflection of the severe slowdown in the Japanese economy, the Bank of Japan said yesterday.

The decline was broadly in line with projections, but nonetheless increased expectations that the Bank of Japan would move shortly to cut interest rates again in an effort to stimulate the economy.

Monetary growth has been falling steadily since March, as bank lending has stagnated.

The Bank of Japan put a brave face on the decline and said that monetary growth would not interfere with any recovery in the economy.

Growth in broad liquidity, which includes deposits in Japan's postal savings system, also plunged to a low of 2.8 per cent, compared to 3.2 per cent in August. The central bank has in recent months placed increased emphasis on broad liquidity as a more accurate gauge of economic activity.

"I think there will be an interest rate cut on these figures," said Mr Geoffrey Barker, economist at Baring Securities. He said that with inflation running at around 2 per cent, the 2.8 per cent growth in broad liquidity was insufficient to accommodate economic growth.

Mr Paul Summerville, economist at Jardine Fleming Securities, however, said that the figures provided no surprises and that money supply had been contracting in real terms for months. He suggested the central bank would wait for further evidence of a slowdown in consumer spending before cutting interest rates again.

Ministry to keep closer watch

Brokers confess to paying clients

By Robert Thomson

JAPAN'S brokers have confessed to providing another Y10bn ($83.3m) in compensation to favoured customers for securities investment losses, and drawn praise from the Ministry of Finance for their apparent determination to stop reimbursing their clients.

A survey of 47 larger securities houses by the Japan Securities Dealers' Association found that 10 brokers, mostly middle-sized firms, had provided compensation of Y100m or more over the past three fiscal years after demands from clients.

The Big Four brokers, Nomura Securities, Daiwa Securities, Nikko Securities, and Yamaichi Securities, told the JSDA that they had not provided reimbursements other than their share of the Y225bn in compensation already reported to the finance ministry.

Last year, leading Japanese brokers admitted to compensating a long list of corporate customers for trading losses in the wake of the Tokyo stock market crash, and the JSDA survey is part of the attempt to restore public confidence in the industry.

The finance ministry welcomed the results of the survey and said the industry appears to have learned from the mistakes of the past.

The ministry, itself criticised last year for lax control over the brokers, said that it would maintain an extra close watch on their activities for at least the next three years.

Mideast negotiators give peace another chance

By Hugh Carnegy in Amman

ARAB and Israeli peace negotiators reassemble in Washington today with two uncomfortable thoughts in mind: in the year since the process was launched in Madrid they have achieved no substantive accords and, in the middle of their latest scheduled round of talks, the US president who brought them together may be voted out of office.

Syria, Jordan, Lebanon and the Palestinians are returning for their seventh round of bilateral talks with Israel, apparently no less committed to the Middle East peace process than before.

Mr Yitzhak Rabin, the Israeli prime minister, has invested much of his political capital since his election last June in the search for a peace agreement and cannot afford to have the account slide into deficit so soon.

In the latest round - due to last until November 19 with a break over the US election on November 3 - much will depend on whether Israel and the Palestinians can make real progress towards agreement on an interim period of Palestinian self-government in the West Bank and Gaza. At the Madrid conference last October, this was set as a target to be achieved within a year.

In the last session in September, the first since Mr Rabin came to office, there were signs that the two sides were getting down to business. But there are still fundamental differences over the scope of the proposed self-government's authority, for example on the extent to which the Palestinians will have control of land in the territories.

In the Syrian-Israeli talks, the big obstacle is Israel's occupation of the Golan Heights. The most Israel is seeking in this round is a joint "statement of principles" by the two sides which would open the way to deeper negotiations. But that in itself would be a breakthrough, given the long history of hostility between them.

Israel has slim chance of separate deal with Syria

By Lara Marlowe, recently in Damascus

SINCE he agreed to negotiations with Israel last year, Mr Hafez al Assad, the Syrian president, has repeated his motto, "Jerusalem before the Golan", countless times.

As the latest round of bilateral Middle East peace talks opens in Washington today Syria's solidarity with fellow Arabs will again be tested.

Syria appears unlikely to renounce its insistence on Israeli withdrawal from all occupied Arab territories, while Israel continues to demand bilateral peace treaties before the question of territory is addressed.

In these circumstances - further complicated by the US presidential election - Syrian officials have little hope of substantial progress in the new round of peace talks.

At a meeting of Arab delegations to the peace conference in Amman at the weekend, Mr Farouk al-Shara'a, the Syrian foreign minister, reassured Palestinian representatives that his country was committed to a comprehensive peace agreement and that Damascus would not seek to regain its own Israeli-occupied territory and abandon the Palestinians.

A message conveyed in Amman by Mr Amr Moussa, the Egyptian foreign minister who has acted as a mediator between the Arab delegations and the Israelis, to Mr al-Shara'a indicated a small amount of movement: the Israelis wished to receive a complete explanation of the Syrian phrase "full peace" and would be willing to "expand the territorial discussion". Israel and Syria define "peace" differently and hold incompatible interpretations of Security Council resolutions 242 and 338, the basis of the talks.

Syrian officials in Damascus denied rumours which emerged during the last round of bilateral talks that Syria might be prepared to sign a separate peace treaty with Israel in exchange for a complete Israeli withdrawal from the Golan Heights.

President Assad was so angered by these allegations that he refused to meet Mr Yassir Arafat, the PLO chairman, after the latter said he feared the Syrians would betray the Palestinians in the peace talks.

A separate peace with Israel is anathema to the Syrians: not only would it contradict two decades of Ba'athist rhetoric, it could destabilise Syria by reviving popular resentment over the country's participation in the anti-Iraq coalition during the Gulf war.

Syrian officials say that Mr Assad hopes to mitigate the influence of fundamentalists by refusing to accept Jerusalem as the Israeli capital and demanding the return of all occupied territories. If Syria concedes on these points, says a well-placed Syrian official, "there will be no containing the fundamentalists".

False hopes of progress arose during the last round after the Syrian delegation submitted a secret, nine-point document to the Israelis. A Syrian official said the Israelis wanted to discuss Syrian recognition of Israel while ignoring passages regarding Palestinian rights, the dismantling of Israeli settlements and Israeli withdrawal from occupied Arab territories.

Unions may lose role in wage-fixing

By Emilia Tagaza in Canberra

AUSTRALIA'S powerful trade unions will lose their main tool of influence, the centralised wage-fixing system, if the conservative opposition wins federal elections next year.

The coalition of the opposition Liberal and National parties yesterday unveiled a blueprint of a radical industrial relations policy which, if implemented, would give employees and employers the right to negotiate directly with each other, with or without union involvement.

All conditions will be up for negotiation, except for four minimum guarantees: minimum hourly rates for adult and youth workers, four weeks' annual leave, two weeks non-cumulative sick leave and 12 months unpaid maternity leave.

Under the existing centralised wage-fixing system, about 80 per cent of the Australian work force, whether union members or not, are covered by minimum employment standards agreed by the unions, the employers and the government through the Industrial Relations Commission.

The ruling Labor Party considers industrial relations policy as another major battleground for federal elections set for the middle of next year. The opposition's intention to introduce a goods and services tax has already provided fodder for initial campaigning.

Mr Paul Keating, the prime minister, branded the opposition a "prices up and wages down" party.

"First they want to tax everything you can shoot with a 15 per cent goods and services tax, and now they want to cut your pay," he said.

Reaction by unions and business was predictable. Unions said the policy would leave workers with only two choices: take the employers' conditions or take the sack. Business tentatively welcomed the policy as a significant step towards a more sensible wages system.

De Klerk blocked on amnesty bill

By Patti Waldmeir in Johannesburg

A MULTI-PARTY committee of the South African parliament yesterday rejected a controversial draft law that would allow President F W de Klerk to extend secret pardons to state officials for apartheid crimes.

If the bill is defeated in the full parliament, which is due to sit today, it would prove a serious embarrassment to Mr de Klerk, who has come under increasing criticism recently both from within and outside his ruling National Party.

The African National Congress (ANC) said yesterday it would nullify the amnesty bill, if it came to power.

The bill was opposed in committee by every parliamentary grouping except the National Party. Party officials were last night working to persuade opposition MPs to support the bill, though its chance of being approved appeared slim.

Mr de Klerk could still force the bill through with the approval of the multi-party President's Council, which is dominated by the National Party and thus gives the ruling party final say over all legislation, whether or not it has gained parliamentary approval. But he has never yet used this controversial mechanism to force through legislation against the will of the parliament.

He may choose to delay further consideration of the bill until the next full session of parliament, which begins early next year, or let it lapse. However he is under pressure from the security forces to provide amnesties for crimes committed under apartheid policies.

The ANC yesterday criticised the bill because amnesties would be granted by a government-appointed board sitting in secret and crimes committed would be kept secret.

South African Finance Minister Derek Keys yesterday said foreign investors withdrew R2bn ($715m) in the second quarter of 1992 but the outflow had since been curbed, Reuter reports from Johannesburg.

Iraq bans import of luxuries

IRAQ, struggling to prop up its sinking dinar after more than two years of sanctions, yesterday stopped importing luxury goods and told traders to clear them from their shelves by November 20, Reuter reports from Baghdad.

The import ban, which was announced in August by President Saddam Hussein, came into operation on a list of 157 items from cheese to personal computers. Only essential items may still be imported.

Funds into India

Foreign investment in India will rise to an annual level of at least $500m-$750m over the next four years from an estimated $200m-$300m in the current financial year, Finance Minister Manmohan Singh said yesterday, Reuter reports from New Delhi.

Suharto nominated

Indonesian President Suharto, in power since crushing a coup attempt 27 years ago, yesterday accepted the nomination of his country's ruling party as candidate for another five-year term in elections next March, virtually ensuring his re-election, Reuter reports from Jakarta.

Parties taken over

Military authorities have approved special committees to take over the running of political parties blamed for messing up Nigeria's transition to civil rule, Reuter reports from Lagos. Elections commission chairman Humphrey Nwosu yesterday said President Ibrahim Babangida had endorsed caretaker committees to lead the welfare-minded Social Democratic party (SDP) and the rightist National Republican Convention (NRC).

Kuwait gets speaker

Kuwait's new parliament yesterday elected Mr Ahmed al-Saadoun, speaker of the dissolved 1985-1986 parliament, as its new speaker, Reuter reports from Kuwait. Mr Saadoun is a veteran opposition figure.

Johannesburg broker jailed

By Philip Gawith in Johannesburg

MR Greg Blank, a Johannesburg stockbroker, has been sentenced to eight years in prison after conviction on 48 counts of fraud involving share-dealing irregularities.

Mr Blank's trial, following crimes which netted him and his accomplices about R10m ($3.5m) in illegal gains, was the highest profile securities trial in Johannesburg in many years.

Although many brokers welcomed the sentence, there was shock at its severity as the state had not called for imprisonment.

The courts are determined to be seen to be taking a stern line against white-collar crime. Reflecting this, Mr Justice Cloete, the presiding judge, yesterday refused Mr Blank leave to appeal. Mr Blank's counsel will now seek this from the Chief Justice.

Judge Cloete said he had been appalled by the admitted fact, agreed to by the state and the defence, that Mr Blank had reason to believe, as did many other stockbrokers, that certain portfolio managers and dealers dealt secretly for their own account. He was also shocked that Mr Blank regarded his crime as part of the "stock exchange culture".

Because Mr Blank pleaded guilty, no witnesses were called. His case did not, therefore, allow for the proper airing of stock exchange practices that many had hoped for.

Civil war militia leader wins highest Shia legislative post

Berri to be Lebanese speaker

By Lara Marlowe in Beirut

MR Nabih Berri, one of the principal militia leaders in Lebanon's 1975-1990 civil war and a close ally of Syria, became speaker of the Lebanese parliament yesterday after 105 of 128 deputies voted for him in the first session of parliament.

Mr Berri, the 54-year-old son of Shia Moslem Lebanese emigrants to Sierra Leone, joined the legislature for the first time in the controversial August 23 - October 11 general election and has been elevated to the highest position a Shia may aspire to in Lebanon.

The southern Lebanon district of Nabatieh gave Mr Berri more than 120,000 votes - the highest number received by any candidate in the legislative poll.

The accession of Mr Berri, like the composition of the first new parliament in 20 years, symbolises the social revolution caused by the country's civil war.

Mr Berri's only competitor for the speaker's chair, a wealthy Shia Moslem from an old Beirut family and an MP since the 1960s, received only 14 votes. Twelve newly-elected Moslem fundamentalist deputies, including eight members of the Iranian-backed Hizbollah, also attended yesterday's session, some wearing robes and turbans. Seventy-six of the 128 members have never served in parliament before.

"Let bygones be bygones," Mr Berri told the assembly in his acceptance speech. The words were especially poignant: his Syrian-armed Amal militia fought Christian and Druze militias and even its fellow Shia Moslems in the war. It imprisoned western passengers during the June 1985 TWA hijacking and from 1985-1988 bombarded Palestinian refugees in Lebanon in the infamous "camps war".

Mr Berri recently reversed his opposition to Lebanon's sectarian system of government, under which political positions are allotted by religious affiliation. He has vowed to fight the permanent settlement of some half million Palestinian refugees in Lebanon.

Mr Berri this year resolved his feud with Hizbollah, who fielded parliamentary candidates on his southern Lebanon list. The fundamentalists had long scorned Mr Berri, a lawyer by training, for his western dress and for the Amal militia's lack of fervour in fighting the Israelis in Shia southern Lebanon. Yet Mr Berri promised yesterday to strive to recover the Israeli-occupied zone.

A new Lebanese government is to be formed in coming weeks. President Elias Hrawi has made clear his desire to nominate Mr Rafiq Hariri, the Lebanese-born Saudi billionaire, as prime minister. Business sources believe a Hariri premiership would strengthen the Lebanese pound and improve economic conditions.

Amnesty pleads for Tunisians

By Francis Ghilès

AMNESTY International, the London-based human rights organisation, yesterday called on Tunisia to order "a fair retrial or release" of 265 supporters of an illegal fundamentalist organisation. The 265 were sentenced to prison terms, including life imprisonment, after mass trials last August on charges of plotting against the government.

Amnesty says the prosecution rested its case "almost entirely on uncorroborated confessions which defendants, supporters of the al-Nahda (Renaissance) movement, alleged had been extracted by...torture. Amnesty also called for the establishment of animpartial inquiry into pre-trial irregularities, including deaths in custody of several detainees.

Amnesty's call comes less than two weeks after the New York-based Middle East Watch said "at the trials themselves, evidence of human rights abuses was ample.

"Plainclothes police kept a visible watch on trial observers, their presence clearly deterring some Tunisians from discussing the case with observers."

Middle East Watch says that earlier this summer a presidential commission presided over by a former diplomat Mr Rachid Driss issued a "cautiously critical human rights report, with much fanfare about the openness of government."

But it adds that "the Nahda trials were a relapse, not an aberration." Indeed they were the third mass trial of Islamic leaders since 1981 when the Islamic Tendency Movement (MTI) was founded and began what remains to date an unsuccessful quest for legal recognition from the Tunisian government.

The founder of the movement, Mr Rachid Ghannoushi, who was convicted and sentenced to prison in all three trials, the last time in absentia, currently lives in exile in London.

UK rejects trade ban on Cuba by US

By David Owen

BRITAIN yesterday acted to circumvent US attempts to reinforce a trade embargo on Cuba, saying that Downing Street and not Capitol Hill would determine British trade policy with the Caribbean island.

The government invoked an existing law – the Protection of Trading Interests Act – to prohibit UK companies owned by US interests from complying with proposed US legislation banning them from trading with Cuba.

The law is designed to enable the government to provide a legal response to extraterritorial measures such as the offending Cuban Democracy Act, which is waiting to be approved by President George Bush. The British move follows an angry reaction from the European Commission which said earlier this month that the proposed extension of the US embargo had "the potential to cause grave damage to the transatlantic relationship". In a strongly worded statement, Mr Richard Needham, trade minister, said he would not accept any attempt to "superimpose US law on UK companies".

"The British government, not the US Congress, will determine the UK's policy on trade with Cuba," he said. British policy is to encourage companies to exploit civil market opportunities in Cuba. British exports to the island were worth £28.4m in 1991.

Aircraft industry sees soft landing in China

Manufacturers scramble for market share in civil aviation's only area of growth, writes **Paul Betts**

CHINA is fast emerging as the latest battle ground for world commercial aircraft as manufacturers scramble to win new business in the current civil aviation industry slump.

"This is the only market right now where you can sell aircraft," says Mr Werner Hupe, the general manager of Ameco, a joint venture based in Beijing between Air China and Lufthansa and the biggest aircraft maintenance and engineering workshop in China.

Other aerospace executives based in China say demand for new aircraft is growing rapidly with air traffic expanding by 28-30 per cent this year and expected to continue growing for the rest of the decade.

As part of the modernisation of its economy, which is set to show annual growth of more than 10 per cent in the next three years, China is seeking to increase and upgrade its airports, improve passenger and freight handling facilities and air traffic navigational systems. China has also announced plans to allow foreign investment in state-owned carriers and airports, starting with the country's six largest regional airlines.

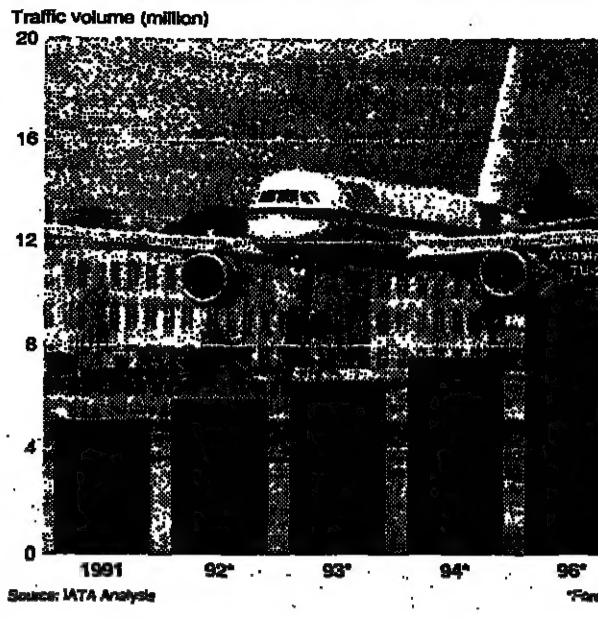
One example is the Shanghai-based China Eastern Airlines, which recently announced a $555m order for five Airbus A340 wide body airliners. The airline, which has also ordered Airbus A300 and Fokker 100 jets, said it expected to be free from government control by the end of this year.

Mr Wang Lian, the airline's president, said that the carrier might recruitforeign expertise into its new, autonomous management and was also considering an eventual flotation on China's stock market.

The big three western manufacturers – Boeing and McDonnell Douglas of the US and the European Airbus consortium – are jostling for position in what is becoming aviation's boom market. But Russian aircraft manufacturers, which have traditionally supplied China with commercial aircraft, are also seeking markets for new Russian aircraft equipped with western engines and avionics.

China's requirements span the entire range of commercial aircraft from large wide body airliners to medium-sized jets and regional aircraft. At the top end of the market, the orders battle centres on China Southern Airlines, the Cantonese-based carrier, which is seeking to acquire at least six large wide body twin-engine airliners. The airline is looking at both the new Boeing 777 wide body and the newly-launched Airbus A330.

Passenger traffic to and from China



Source: IATA Analysis *Forecast

"The significance of the China Southern order is that this competition will be repeated many times in other Chinese regional carriers seeking wide body aircraft," an aero-engine official said.

McDonnell Douglas, which has devoted probably more effort that any other western airframe manufacturer in building up a relationship with China through an aircraft assembly joint venture in Shanghai, is also attempting to place additional MD11 three engine wide body airliner with Chinese carriers.

The US manufacturer reached an agreement this summer to co-produce with China 40 MD-80 and MD-90 twin engine medium sized airliners. Boeing is now challenging its US rival in the so-called Chinese "trunkliner" market with a proposal to co-produce its 200 seater 757 twin engine airliner in China.

However, the Russian Aviastar aerospace manufacturer is also expected to bid for Chinese business with its new Tupolev TU-204 airliner powered by Rolls-Royce engines. The TU-204 is the Russian rival of the Boeing 757 and made its official debut at the Farnborough air show last month.

Both Aviastar and Rolls-Royce consider the TU-204 has good sales prospects. China traditionally relied on Russian aircraft until the 1960s when it ordered six Viscounts. It subsequently acquired Tridents from the UK before reverting back to Russian-built aircraft, sold by the former Soviet Union for Chinese commodities.

One of the big problems for the Chinese airlines has been the unreliability of Russian engines and the rudimentary design of Russian airframes and cabins. But Aviastar, which appointed UK management consultants Price Waterhouse to help it develop a strategy to expand in the world market, and Rolls-Royce believe the TU-204 can challenge western built airliners in terms of technology, design and cost.

Aviastar says the TU-204 is about 20-25 per cent cheaper than equivalent western jets. There would also be the possibility for China to acquire TU-204 on a part barter basis paying for the Russian airframe in commodities and cash for the Rolls-Royce engines.

The big three western manufacturers are also competing for a slice of the Chinese regional aircraft market. Demand is increasing for smaller aircraft to provide inter-city feeder services. But the main battle in this market segment is between Fokker, the Dutch manufacturer, and British Aerospace which is hoping its proposed joint regional jet venture with Taiwan will eventually help open up new opportunities in mainland China.

There are also risks in this strategy. China continues to view with considerable suspicion the manoeuvres of western aircraft manufacturers in Taiwan. Mr Jean Pierson, the Airbus managing director, recently claimed that a French proposal to sell Mirage combat aircraft to Taiwan appeared to be the main reason why China was delaying the purchase of 12 Airbus wide body airliners, including A300s and A330s, worth a total of $1.5bn.

Caracas' hopes of joining Caricom rise

Venezuela's efforts to become a member of the Caribbean Economic Community (Caricom) have been given a fillip with a trade agreement which will open the Venezuelan market to duty-free imports from members of the community, writes Canute James from Kingston.

Under the agreement, Venezuela will allow one-way preferential access to its market for imports from the 13 Caricom countries. Tariffs will be reduced gradually over five years until a duty-free entry has been agreed for the imports.

Indian licensing deal for Britain

Bridgeport Machines, the Leicester-based machine tool builder, has signed an important collaboration agreement under which Batliboi, the Indian industrial conglomerate, will make Bridgeport horizontal machining centres under licence, writes Andrew Baxter. Machining centres are automated, multi-function machine tools.

Malaysia extends telecoms' time

Malaysia has granted a six-month extension to three foreign-led telecommunications groups to comply with the terms of a M$2bn (£470m) telecommunications contract awarded earlier this year, writes Kieran Cooke from Kuala Lumpur. The three groups, led by Fujitsu of Japan, Nokia of Finland and Alcatel/CIT of France, have been granted the extension to ensure their equipment is fully compatible with each other's systems and with existing ones installed in Malaysia by NEC of Japan and Ericsson of Sweden.

US and EC pursue oilseeds deal

By David Dodwell, World Trade Editor

US FARM negotiators yesterday met their European Commission counterparts in Brussels, aiming to resolve a long-standing dispute on the EC's oilseed subsidy regime and paving the way for a weekend meeting of Mr Ray MacSharry, the EC farm commissioner, and Mr Ed Madigan, US agriculture secretary.

At the same time, it became clear the US has relaxed further the limit it wants the EC to put on its output of subsidised oilseeds. It is now demanding a cap of 9m tonnes a year. This compares with long-standing calls for EC output to be cut to 7m tonnes. EC farm negotiators want the ceiling at 9.5m tonnes, down from current 11.4m tonnes.

Latest developments confirm US and EC claims that negotiators came close during talks in Brussels last week to resolving the dispute over subsidised farm trade that has for the past two years stalled progress in the Uruguay Round.

Mr Joe O'Mara, a senior US farm trade negotiator, flew into Brussels yesterday for talks with Mr Guy Legras, his EC counterpart. It is uncertain whether talks will continue today. Mr MacSharry is understood to be keen to reach agreement with Mr Madigan, if in fact agreement is achievable, before Monday's meeting of the EC Agriculture Council.

US and EC officials confirmed yesterday that the most recent US proposal for settling the oilseeds dispute contained the following elements:

- EC production capped at 9m tonnes, and accompanied by a strong enforcement mechanism;
- no more than 5.128m hectares sown with subsidised oilseeds;
- a 15 per cent set-aside required in the first year for land growing oilseeds, with any oilseeds grown on set-aside land (for industrial use for example) to be included within the 9m tonne limit;
- present yields of 2.36 tonnes per hectare to be cut to meet the 9m tonne limit.

EC officials say that reforms of the Common Agriculture Policy agreed in May this year will ensure cuts in oilseed production to 9.5m tonnes. They have warned US negotiators that deeper cuts would require the CAP reform package to be opened up, raising the risk that EC member states opposed to the reforms would unravel other parts of the package, most significantly, proposed cuts in subsidised cereals output.

STC awarded $370m order for Canada-Europe cable

By Hugo Dixon

STC, the British telecommunications manufacturer bought two years ago by Canada's Northern Telecom, has won a $370m (£215m) contract to build the first fibre-optic cable linking Canada and Europe.

The undersea cable, due to be completed in 1994, has been commissioned by a group of international telecommunications carriers led by Teleglobe of Canada. The other purchasers are British Telecommunications, Germany's Deutsche Telekom, Telecom Denmark and PTT of Iceland. The cable will land in each of their countries.

It will enable Teleglobe to send voice, data and video traffic direct to Europe instead of routing much of it through the US, as now. Thus, Teleglobe will be less dependent on cable capacity owned by American Telephone & Telegraph (AT&T) of the US.

The new cable will carry the equivalent of 30,000 telephone calls simultaneously down each of two pairs of optical fibres, four times as much as is carried by the current generation of technology. Average cost of a transatlantic circuit will be substantially lower than before.

STC said it was the only manufacturer able to supply this technology. It had been chosen on the basis of bids made for a different cable to have linked the US and the UK but eventually scrapped. The cable will be made at STC's plants in Southampton, and Portland, Oregon. The electronics will be made in Greenwich, London.

Perot raises spectre of $100bn bank disaster

DURING the 1988 US presidential election neither Democrats nor Republicans drew much attention to the looming savings and loan crisis that is expected to end up costing taxpayers $195bn (£113.3bn), writes George Graham in Washington.

A dispute has now broken out over whether the government is again glossing over an impending financial crisis, this time in the banking sector, which could again cost billions of dollars in federal money.

President George Bush and Governor Bill Clinton, the two main presidential candidates, agreed in the last of their three televised debates on Monday night that the US banking system was fundamentally sound, though both conceded there were problem banks. But Mr Ross Perot, the independent candidate, raised the prospect that in the immediate aftermath of the election perhaps 100 problem banks might have to close at a cost to the taxpayer of about $100bn.

This catastrophic scenario is based on a controversial study by Mr Roger Vaughan and Prof Edward Hill, published earlier this month by the Washington Post Company.

The study, entitled Banking on the Brink, argues that 1,150 banks are so weakly capitalised that they are likely to fail or be forced into mergers in the next few years.

While many of the banks meet current international capital standards, the authors argue that the book value of assets such as property loans overstates their real worth.

"If their assets were valued at what they would fetch today in the market, these banks would be shuttered on the spot," the study says.

At the core of the problem, according to Mr Vaughan and Prof Hill, are 10 large bank holding companies each with more than $10bn in assets.

Mr Bert Ely, a banking consultant in Alexandria, Virginia, makes a lower estimate of the likely cost of bank failures and believes the existing resources of the Bank Insurance Fund will be enough to cover depositors in these banks, without increasing the premiums levied on banks.

Adding a sense of urgency to the more gloomy predictions is the implementation on December 19 of new legislation which would give federal bank regulators the responsibility to close banks whose capital falls to 2 per cent of assets, rather than waiting until they are technically insolvent.

Federal officials, and other banking analysts, reject both these pessimistic calculations on bank capital and the idea of a banking Doomsday on December 19.

US bank results, Second Section

MR Ross Perot has waded into the controversy surrounding British Airways' proposed $750m (£436m) investment in a 44 per cent stake in USAir, writes George Graham.

In the final televised debate between the three main presidential candidates on Monday night, Mr Perot said the BA deal, which still needs US government approval, as well as a similar deal already approved in which KLM of the Netherlands took a stake in Northwest Airlines, would be "terribly destructive to the airline industry".

"We're getting ready to dismantle the airlines industry in our country and none of you knows it. And I doubt in all candour if the president knows it," he said.

The Texas billionaire used the airline deals to reinforce his complaint that US interests were hurt by the presence of too many lobbyists in the big party campaigns.But Mr Perot neglected to declare his own substantial financial interest in the airline industry.

The Perot Group donated land for the recently opened Alliance Airport between Dallas and Fort Worth and then lobbied for millions of dollars in federal money to build the airport. The group stands to benefit from development of an estimated 18,000 acres of land it owns around the Alliance site.

In addition, one of Alliance's main customers is Dallas-based American Airlines, whose payments for Alliance facilities underwrite some of the airport's debt and which is also leading the lobbying fight against the BA-USAir deal.

Bush takes campaign trail south

By Barbara Harrison in Atlanta

PRESIDENT George Bush yesterday began a campaign train trip through the south-east, aimed at convincing the region's "Reagan Democrats" that he can deliver a better economic performance in a second term.

Mr Bush will travel from Atlanta, Georgia, through South Carolina to Raleigh in North Carolina in an attempt to secure victories in states once thought to be certain bets for the Republicans.

While Mr Bush's chances are still estimated to be good in South Carolina, in Georgia and North Carolina he looks increasingly vulnerable to Arkansas Governor Bill Clinton, the Democratic contender.

The president has to contend with the special appeal of an all-southern Democratic ticket; an advantage pressed home by Mr Clinton and his running mate, Tennessee Senator Al Gore.

But the Bush camp believes the race is still close enough for him to win respectably in the south. Polls show that he trails Mr Clinton by fewer points in southern states than he does nationally.

Defying the odds: George Bush at a post-debate rally in Lansing, Michigan

Housing starts continue to climb

BUILDERS started work on slightly more US homes last month, adding to a surge in August, but the knock-on effects for the rest of the economy could be slight, Reuter reports from New York.

The Commerce Department said housing starts rose 1.4 per cent in September, following a revised 12.6 per cent climb in August. Mr David Lereah, chief economist at the Mortgage Bankers Association, which tracks mortgage activity, said: "I don't think people should think the housing industry is likely to drive the economy in a significant manner, but we're finally on the right road."

Some economists said the modest September rise compared with August might show housing activity had peaked, as it did in the spring. They also noted a decline in mortgage applications.

Republicans struggle to woo women voters

Contentious issues are being played down, writes Anthony Dworkin

PRESIDENT George Bush, trailing badly in the polls, is faring even worse among women voters. As a result the Republicans have been struggling to recast their appeal to women – or, some say, repair the damage they have already done.

Not only do women constitute the majority of the population but they vote in greater numbers – up to 10m more, by some estimates.

Mr Bush was at pains in Monday night's final presidential debate to rebut charges that he, along with his presidential rivals, surrounded himself with white men. "We're a very good record of appointing women in high positions and positions of trust and I'm not defensive at all about it," he said.

His running mate, Vice-President Dan Quayle, has also found a new coyness on the divisive issue of abortion, and backed away from the more strident "family values" rhetoric so much a feature of the Republican convention in August. It was, he said last month, "a very complex issue" and his concern was "to get more of a national reflection on the tragedy of abortion".

Even some of Mr Bush's supporters concede that the Democrats have appeared more responsive to women's concerns. Ms Linda DiVall, the Republican pollster, says "women tend to look to the government to take a more active role in solving the problems in their lives". She cites issues such as health care, day care, parental leave and the fight against job and pay discrimination as areas where the more interventionist Democratic approach appeals.

In many respects women have borne the brunt of current US economic problems, the central focus of the Democratic campaign. Of families headed by single women, 45 per cent live in poverty; nearly two-thirds of workers on the minimum wage are women. A recent survey of women's attitudes showed that the economic security of their families was the overriding concern.

It also indicated that financial pressures have pushed more women into the workforce – 57 per cent of the total population – but that working mothers still feel they are mainly responsible for keeping their families together.

The early emphasis on "family values" seemed at times wildly out of touch with these realities.

"I believe the message to working women that came out of the Republican convention was enormously harmful," said Ms Page Gardner, who handles women's issues for the campaign of Governor Bill Clinton. "What women want is something that will make it easier for them to juggle work and family."

Mrs Marilyn Quayle, the vice-president's wife, took to the opinion pages of the New York Times to remedy the impression left by her assertion at the convention that "most women do not want to be liberated from their essential nature as women". She wrote that, far from attacking working women, she believed that "making choices concerning work and family has become a constant in women's lives".

Republican onslaughts against Mrs Hillary Clinton, a working woman, as a radical feminist have been dropped and talk of "family values" scaled back – though some party strategists believe this theme can still help Mr Bush, if tactfully handled.

It is not only in the context of family values that women's role and status in society have been widely discussed.

A series of scandals has drawn attention to the problem of sexual abuse in the armed services. More significantly, last year's confirmation hearings for Judge Clarence Thomas, the Supreme Court nominee – and the all-male Senate judiciary committee's aggressive questioning of Prof Anita Hill, who accused him of sexual harassment – continue to cast a long shadow.

This spectacle, reinforcing the perception that Washington's institutions are old-fashioned and insensitive, gave impetus to the record number of women running this year for high office. Eleven women (10 Democrats) have been nominated for the Senate, which has now only three women members, of whom one is a temporary stand-in. These include strong Democratic contenders in California, Illinois and Pennsylvania, important battleground states in the presidential election.

Analysts believe the female candidates will help draw women into the Democratic camp in these states. Ms Harriet Woods, a women's rights activist, notes that Mr Clinton has made an effort to associate himself publicly with them – both at the Democratic convention and on the campaign stump. The Republicans, in contrast, have tended to use surrogates, such as Ms Lynn Martin, the labour secretary, or the candidates' wives.

The question of abortion seems a wild card in the election.

The Supreme Court recently upheld its guarantee of abortion rights by the narrowest of margins, indicating that another Republican justice could tip the balance against it. Under the influence of the right wing the Republican platform in Houston included a strong anti-abortion position, which still dogs the attempts of Mr Bush and his running mate to play down its significance.

Polls show economic issues rating higher than abortion with women voters – but strategists from both parties believe the issue has hidden force. It is clearly a factor for many upper-middle class Republican women, who may be deserting the party in significant numbers.

Ms Woods points out that the threat to legalised abortion may reinforce financial concerns. "Both relate to women's concern about their powerlessness over the choices they need to make in their lives."

Ms DiVall argues that Mr Bush can regain women's votes, but only if he confronts this concern by redefining the debate over economic opportunities. "He must make it clear that an activist government is, in fact, the enemy of choice," she says.

Hillary Clinton: portrayed as radical feminist

Brasília sell-offs to exclude 'strategic groups'

By Christina Lamb in Rio de Janeiro

THE new Brazilian government is planning a radical overhaul of its privatisation programme, recasting it as a more nationalistic policy which excludes many so-called "strategic companies".

Mr Antonio Barros de Castro, the new head of the programme, made clear in an interview with the Financial Times that, in the medium and long term, the programme would change considerably from that initiated last year by former President Fernando Collor.

Criticising the previous administration for being "too concerned with selling everything at all costs and under equal rules", Mr de Castro strongly defended the thesis that sectors such as telecommunications, oil and mining remained under state control.

"I don't see any convincing reasons why companies like Vale do Rio Doce [the state mining company], Telebras and Petrobras should go. Not only are these companies successful but our economy is still in formation and must pass through many important structural changes in which these companies have an important role."

The traditional aspect of these companies was important. "To think of privatising Petrobras would be a cultural violation."

Mr de Castro's views contrast sharply with those of his predecessor, Mr Eduardo Modiano, who believed that Brazil should privatise all its state sector and who fought riots and numerous legal challenges to get the programme under way in September last year.

Privatisation is the most sensitive issue facing the administration of Acting President Itamar Franco who took office nearly three weeks ago following Mr Collor's suspension. The team contains many past critics of privatisation, including Mr Franco himself, and fears among investors of a slowdown of the programme have caused the main São Paulo stock market index to fall 10.9 per cent.

The Franco administration has been eager to reassure investors that the programme will not be halted and that the next 10 sell-offs already scheduled up until March will be maintained. Tomorrow Acesita, a big steel company, will go on sale.

However, sweeping changes are planned for all sales after March.

Mr de Castro's main preoccupation is to end what he calls "precipitous universality," that is, applying the same conditions to all sell-offs. "How can it be right for Goiasfertil, a non-viable fertiliser company, to be sold under the same rules as Embraer [the state aerospace group], the nerve of Brazilian technology?"

New legislation is being prepared to go before Congress to introduce three or four general company categories, each of which will have different rules for the limit on foreign capital (currently 40 per cent) and the type of currencies qualified to bid. This will not outlaw the use of controversial "rotten currency" – unserviced debt of some state entities used in the programme to date. But a certain proportion of cash will be insisted on which could vary from 10 per cent to "much higher than 40, though never 100".

Some "exceptional" companies would be subject to special rules agreed with Congress; one such is Embraer. Mr de Castro said he would like to have included *in this* the National Steel Company (CSN) which is scheduled for sale in December, but "I'd rather sell something I consider wrong than break our promise of not changing the rules of sales already agreed".

Peru set to quit human rights treaty

By Sally Bowen in Lima

PERU took the first steps yesterday towards withdrawing from the San José Convention, the principal treaty governing human rights in Latin America.

The move is designed to pave the way for introduction of the death penalty for convicted terrorists, a sanction prohibited by the convention.

Mr Oscar de la Puente Raygada, the prime minister and foreign affairs minister, said Peru "is confronting an exceptional situation" with regard to the actions of guerrilla groups. The government would prefer to renounce the death penalty clause alone, but if the Organisation of American States were to rule this out Peru would withdraw from the treaty in its entirety, he said.

President Alberto Fujimori, who has already established summary trial procedures by secret military court for those accused of terrorism, will seek to short-circuit the relatively prolonged period normally involved in withdrawing from international treaties.

He has not discounted the possibility of the death penalty being applied to guerrilla leaders such as Sendero Luminoso's Abimael Guzmán or Mr Victor Polay, of the Tupac Amaru Revolutionary Movement, who are behind bars.

Mr Fujimori said: "If they are found politically responsible for terrorist acts committed in the future, then the same penalty could be applied to them."

The prospect of Peru's withdrawal from the San José pact has raised fears among local organisations that respect for human rights, always fragile and rudimentary in the country, may suffer further erosion. But the groundswell of support for tougher measures against guerrillas is likely to ensure Mr Fujimori wins widespread popular backing.

Meanwhile, round-ups of Sendero militants are continuing in the capital on an almost daily basis. However, counter-terrorist police chief General Ketin Vidal denied earlier rumours that Mr Oscar Ramírez Durand, tipped to succeed Mr Guzmán as leader of Sendero, was among a group of nine arrested at the weekend.

NEWS: UK

UK COAL CRISIS

Unions challenge government figures

By Neil Buckley

THE TRADES Union Congress yesterday challenged the government's claim that the 10 pits chosen for closure were loss-making.

Mr Norman Willis, TUC general secretary, wrote to Mr Michael Heseltine, trade and industry secretary, saying figures obtained by the TUC from British Coal suggested that only four of the 10 pits made a loss in the financial year 1991-92. In at least one case, that was the result of investment expenditure. Overall, the ten pits made an operating profit of £3.3m for the year.

He said that the cost of closing the pits was estimated at £394m. Mr Willis said the figures gave "sufficient evidence that parliament should not accept Mr Heseltine's statement at face value". He sent copies of his letter to all MPs, urging them to examine the figures and his "10 important questions" about the pit closures before today's Commons vote.

British Coal said it did not publish profit and loss figures for individual mines, and did not know where the TUC had obtained its numbers. It could not provide a figure for the performance of the ten pits in 1991-92.

The company reiterated that the ten had made a loss of more than £31m in the financial year since April 1992, and that none was viable according to any economic scenario. It refused to give a pit-by-pit breakdown.

British Coal also said that, while economic factors determined how much coal production had to be lost overall, it had not used solely economic criteria to determine which pits should close.

The corporation said it examined factors including mining conditions and geology; quality of seams and ease of opening new faces; age of mines and equipment; how long particular output could be sustained; quality and chemical composition of coal; the position of a mine in relation to customers and the size of reserves.

British Coal then listed the 31 most suitable for closure to achieve the necessary reduction.

These fell into three categories. Ten pits – those due to close after the 90-day consultation period – were felt not to have a role to play in any economic scenario, as they were making a loss even before the drop in total revenue British Coal will suffer when new power contracts come into force next year.

The remaining 21 fell into two categories: those profitable to some degree based on the revenue British Coal was presently receiving, but which would not be profitable after next year's drop in revenues; and those that would still be theoretically profitable even after the drop in revenues, but which simply did not have a market for their coal.

The corporation would not disclose which pits fell into the second and third categories.

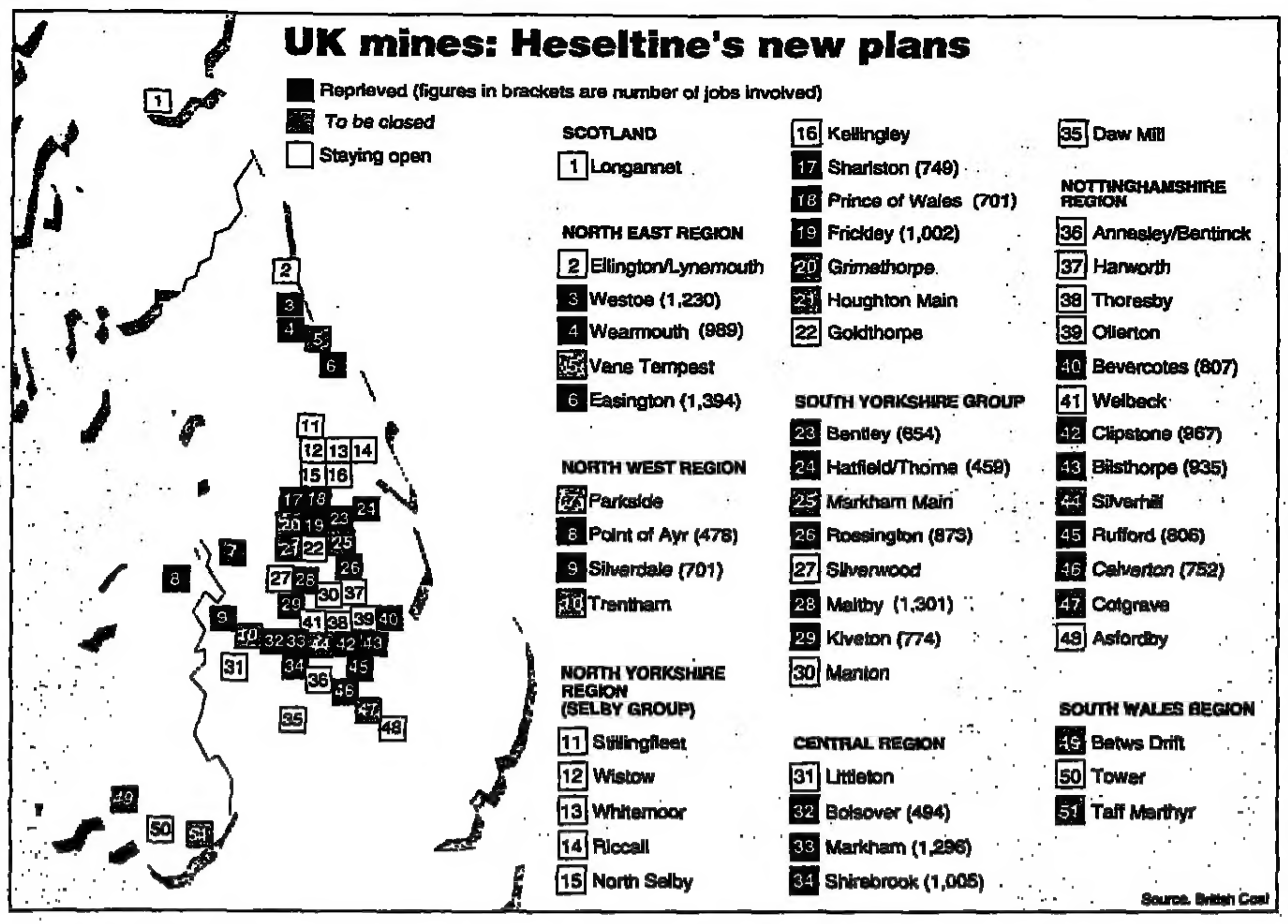
For the 10 pits, there seems little chance of a reprieve. British Coal stressed it was merely fulfilling its obligations under section 99 of the 1975 Employment Protection Act to give 90 days' notice of redundancies.

During that time, British Coal must put forward its case to all those affected, and union representatives at each pit have the right to put forward a case for remaining open. BC said it did "not wish to raise false hopes.

Mr John Major, prime minister, offered a glimmer of hope for the remaining 21, with his suggestions in the Commons that the pit review would be more wide-ranging than first thought.

Observers suggest that his remarks mean power generators and other industries may be involved.

UK mines: Heseltine's new plans



Source: British Coal

Creating a market for more coal

David Lascelles on options for clearing the UK's 50m tonne stockpile

AS Mr Michael Heseltine, the UK's trade and industry secretary, begins the task of trying to keep more of the UK coal industry alive, he has to find ways of expanding coal's share of the UK's already crowded energy market.

Nearly 50m tonnes of coal is lying idle in UK stocks, and the electricity industry has made clear its appetite is sharply reduced. In order to sustain more than a small number of additional pits, he would have to find a home for several million tonnes of extra coal.

Although the government technically has the power to influence energy producers and consumers his task is fraught with difficulties.

The most direct route open to him is to use the government's 40 per cent stake in National Power and PowerGen, the two leading generators, as a lever to persuade them to burn more coal in their power stations.

However electricity industry sources made clear yesterday that they would resist any attempts to make them increase their purchases of coal-based power.

Mr Bryan Townsend, chairman of Midlands Electricity, said the distribution companies were determined not to be forced to sign excessive long term contracts only two years before regulations are due to be changed to allow in more competition.

One option open to Mr Heseltine is to delay the next stage of the electricity deregulation. In 1994, the level of protection in the regional distribution markets is to be reduced. By postponing this change, Mr Heseltine might encourage the electricity distributors to sign up for bigger contracts.

Mr Heseltine might also try to limit coal imports, which are rising fast. But again, he would risk angering the generators who have sunk large sums of money into new port handling facilities. Such action would also aggravate already strained trade relations with the US, one of the UK's largest coal suppliers. Similarly, any action to curb imports of electricity from France via the cross-Channel cable would be highly questionable given the move to an EC single market.

In announcing his reprieve, Mr Heseltine said he would consult Prof. Stephen Littlechild, the electricity regulator, who is looking into the effect that the switch to gas for power generation is having on electricity prices. Prof Littlechild has the power to penalise electricity companies who are not buying the cheapest electricity.

However he is unlikely to have formed any conclusions before early next year, and the DTI has not yet formally asked for his help.

Mr Malcolm Faulkner, Norweb marketing director, the Manchester-based electricity distributor which is investing in gas-fired stations, said yesterday he was confident Norweb's gas deals would stand up to regulatory scrutiny.

A further sector over which Mr Heseltine will undoubtedly be casting his eye is the state-owned nuclear power industry, which contributes about 20 per cent of the electricity in England and Wales. Nuclear Electric reacted sharply yesterday to suggestions that he could bring forward the shutdown of the UK's ageing Magnox reactors to make room for more coal stations.

Any shutdown would trigger heavy decommissioning costs, and would also remove the only power source that does not produce harmful emissions. Dr Bob Hawley, the chief executive, said nuclear could help coal by providing "an environmental balance".

Whichever route Mr Heseltine chooses involves a cost - either to subsidise extra coal production, to compensate companies who have to buy more expensive electricity, or, with nuclear, to decommission the power stations. In some cases the cost will fall on the taxpayer. In others it will be the electricity consumer who ends up paying the bill.

As one electricity industry representative put it: "Whichever way they move they come up against new difficulties."

Commissioner 'not happy' with pit plan

By Andrew Hill in Brussels

MR ANTONIO Cardoso e Cunha, the EC energy commissioner, told a delegation of Welsh miners he was deeply concerned about the UK pit closure programme.

But he added that the European Commission was all but powerless to intervene in a member state's domestic energy policy.

Mr Cardoso e Cunha said in an interview after the meeting - which was set up six months ago - that he was "not happy to see expensive German coal burned and at the same time cheap UK coal being discarded".

Germany and Spain offer heavy subsidies to their coal-mining industries, and the Commission has run into considerable political difficulty in persuading the governments to reduce state aids.

Mr Wayne David, Labour MEP for South Wales, who was present at the meeting, said yesterday that the commissioner had attacked the situation as "irrational".

Australian Mitsubishis to be sold in Europe

By Kevin Done in Birmingham

MITSUBISHI, the Japanese car maker, is to begin exporting cars from Australia to Europe for the first time, allowing it to circumvent quota limits on direct vehicle exports from Japan. It is already exporting cars from its US assembly plant to Europe.

The company displayed its Australian-built Sigma estate car yesterday at the British motor show in Birmingham; a competitor for vehicles such as the Ford Granada/Scorpio and Opel Omega/Vauxhall Carlton.

Mitsubishi hopes to export 5,000 vehicles from Australia to Europe next year, of which about 10 per cent will come to the UK, where sales begin early next year.

The Sigma estate car – sold as the Mitsubishi Magna/Verada in Australia – was developed by Mitsubishi Motors Australia in Adelaide, which will become the sole production plant worldwide. The vehicle will also be exported to the US with shipment of 6,000 units planned next year.

The export programme will allow the Australian operation to increase output from 29,074 vehicles in 1991 to 38,700 this year and 52,000 in 1993, buoyed by a modest recovery in the domestic market.

● IM Group, the privately-owned UK importer of Isuzu vehicles, has launched a legal action in the US against General Motors in an attempt to prevent GM taking away its UK franchise.

It is understood that IM Group's Isuzu franchise agreement is due to expire at the end of 1993. GM, which owns more than 30 per cent of the Japanese vehicle maker, has taken over its affiliate's import operations in most other European countries.

Pound's fall prompts Ford price changes

By Kevin Done, Motor Industry Correspondent

FORD, the leader of the UK new car market, yesterday announced price changes across its range in response to continuing weak sales and the recent devaluation of sterling.

It is increasing the price of its main imported models but cutting the prices of many of its UK-built cars.

Mr Ian McAllister, chairman of Ford of Britain, was gloomy about the development of UK new car sales, which he forecast would total no more than 1.55m this year compared with 1.59m last year.

"There is still no sign of any significant upturn in demand, and I do not believe we can expect any real growth before the second half of 1994, as the impact of interest rate cuts and the devaluation work their way through the economy."

While overall new car sales have fallen by 2.6 per cent in the first nine months of the year, retail sales had dropped by 7 per cent, said Mr McAllister in a speech at the opening of the British motor show in Birmingham. Fleet sales had "remained remarkably resilient" with a rise of 4 per cent.

The confusion over car prices in the UK was intensified by Ford's announcement of price cuts of up to £520 on some Escort and Orion models and up to £955 on some Fiesta models, only two months after announcing a price increase of 1.8 per cent across its range.

Ford said it had been forced to raise the prices of it main imported models, the Belgian-made Sierra and German-made Granada and Scorpio, by an average of 2 per cent as a "first response" to the 15 per cent devaluation of the pound.

Ford yesterday announced an order for 18,800 light commercial vehicles from BT, the UK telecommunications company, worth £220m at showroom prices but actually much less if the large discount for fleet customers is taken into account. This can be 30 per cent or more.

In spite of the BT contracts, Ford has increased short-time working at its Transit van plant at Southampton because of continuing weak demand. Ford's Halewood and Dagenham car assembly plants are effectively working three-day weeks throughout October.

Leyland DAF may halt production at van plant

PRODUCTION at Leyland DAF's Birmingham van manufacturing plant is expected to be halted for up to two weeks because of a continuing slump in the UK's light commercial vehicles market, writes John Griffiths in Birmingham.

Some 2,000 workers building DAF 200/400 vans, once known as Freight Rover Sherpas, will be told later this week whether they will be joining market leader Ford in production cuts. The company emphasised that a final decision had yet to be taken.

It is expected that, if production cuts do go ahead, assembly line workers will be redeployed to other tasks in the plant rather than sent home.

The Anglo-Dutch company has come under pressure to make the cuts although it increased its volume sales by 5 per cent this year, in a UK van market down 5 per cent compared with 1991.

The industry faces a market that has fallen by about 40 per cent from record 1989 levels.

Britain in brief

MPs told to toe party line on Maastricht

Conservative backbenchers opposed to the Bill ratifying the Maastricht treaty were given a blunt reminder of their party's electoral commitments by Mr John Major, prime minister, in the Commons yesterday. Under a barrage of hostile questions about the futility of last week's EC summit in Birmingham he rejected demands that the government should not seek to make any further progress with the remaining stages of the Bill until after the next meeting of EC heads of government in Edinburgh in mid-December. The prime minister insisted that the government was putting Britain's interests first, including the need to ensure that it had a "central say" in the decisions taken in the EC which affected jobs and industry.

Kinnock post

The on-off saga of Mr Neil Kinnock's possible appointment as a Brussels' commissioner finally ended last night when it was confirmed that Mr Bruce Millan will remain in post for a further two years. The decision immediately provoked behind-the-scenes charges of bad faith against Mr Major from senior Labour officials and fervent counterdenials from Downing Street that the prime minister had given any undertakings to the former opposition leader.

BBC attack

Sir Michael Checkland, BBC director general, accused his chairman Mr Marmaduke Hussey of being too old to lead the corporation into the next century. In an unprecedented public attack for which he later apologised, Sir Michael, who leaves the BBC in February, said it had been wrong of the government to give the chairman a second five-year term.

Belfast jobs

Further details emerged in the US about one of west Belfast's most significant employment boosts for several years. Provisional agreement was reached in San Jose when west Belfast SDLP MP Dr Joe Hendron and north Belfast Ulster Unionist MP Mr Cecil Walker met senior executives of the National Semi-Conductor Corporation, one of America's top electronics groups. The US firm will purchase microchips from a new company, BCO Technologies (Northern Ireland) which has been set up by a group of Irish-American businessmen. The new company estimates a worldwide market of £10bn for the chips by the end of the decade offering the prospect of 400 new jobs in one of the UK's worst employment blackspots.

Town hall tendering

Ministers are preparing to soften their approach to extending compulsory competitive tendering to local authority administrative staff, because of the difficulty in devising a sensible way of taking account of the quality of work.

The move will mark an abandonment of the scheme set out in a government consultation paper last year, that there should be a "quality threshold" for tendering in areas such as architectural and engineering services.

Fraud probe

The Serious Fraud Office said it had found no evidence to support allegations of corruption involving three Bank of England officials and the Bank of Credit and Commerce International.

Allegations that BCCI managers had been seen "palm greasing" three Bank of England officials with suitcases of money were made to Lord Justice Bingham's inquiry into BCCI and repeated in a parliamentary early-day motion laid by Mr Brian Sedgemoor, Labour MP.

Business failures soar

Business failures have soared in 1992, and will continue to rise in 1993, according to Britain's leading private credit insurer. Failures in the first nine months reached 42,000, and are expected to pass 60,000 for the year as a whole – compared with 48,000 for the whole of 1991, according to NCM Credit Insurance, which insures some £14bn of UK trade every year from 6,000 UK companies.

CFCs on the move

The industrial difficulties that could follow international bans on the use of ozone-depleting chemicals were highlighted in two UK government reports last week.

The UK is among 70 countries which have signed the 1987 Montreal Protocol, committing themselves to phasing out the production of CFCs, one of the substances threatening the ozone layer, by 2000. It is also bound by tighter EC regulations to phase out CFCs by 1997.

According to a Department of Trade and Industry report by Touche Ross, the management consultants, UK consumption of CFCs as solvents in electronics and dry cleaning fell by 75 per cent between 1986-91. But the report said the main reason was "a reduction in industrial activity during the recession".

While it found that high-technology and precision cleaning companies had already made plans to find substitutes, small high street dry cleaners could not afford the new equipment. The report expects "a sharp distinction between general and specialist dry cleaners" to emerge as the ban takes effect.

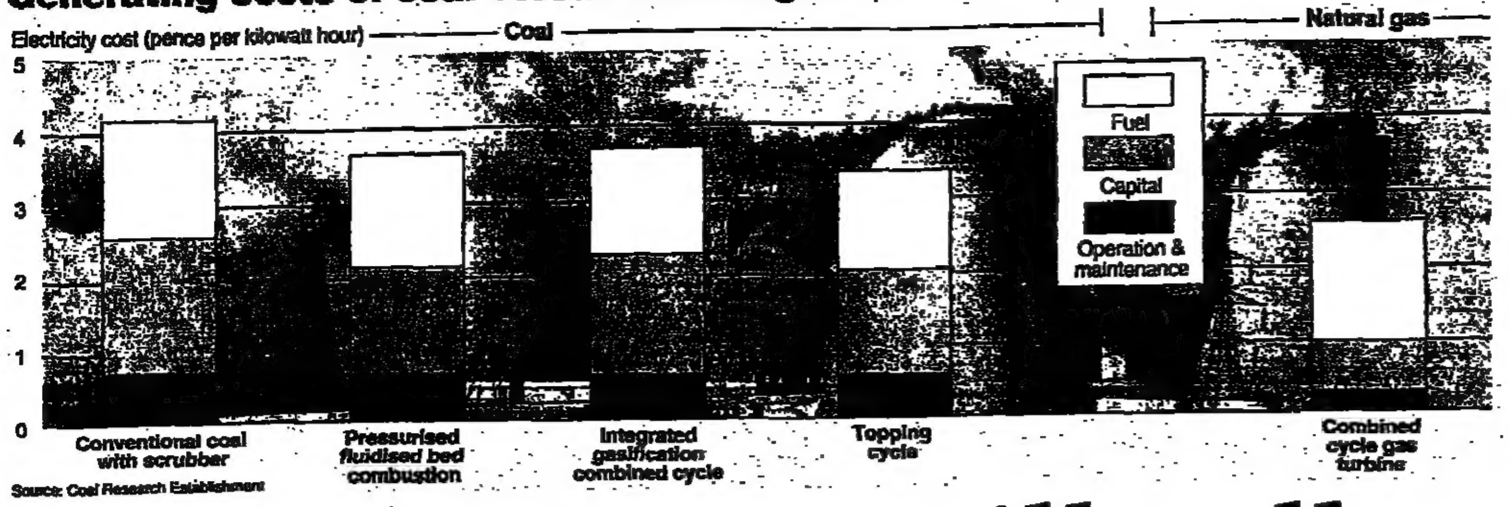
A second study of the use of CFCs in refrigeration and air conditioning, carried out for the *Department of the Environment* by the March Consulting Group, concluded that consumption in these industries fell by only 15 per cent between 1986-91, partly because less than 2 per cent of CFCs in refrigeration are recovered and reused.

Depending on the choice of phase-out dates, it predicted that refrigeration demand for CFCs will outstrip supply between 1994-2000 unless leakage and recycling rates improve.

Assessment of likely difficulties is not helped by the lack of up-to-date figures. A 1990 DTI survey showed that the UK's total consumption of ozone-depleting substances halved between 1986-89 to 31,000 tonnes due to the phasing out of CFCs in aerosols. However, more recent figures are not available.

Bronwen Maddox

Generating costs of coal versus natural gas



Source: Coal Research Establishment

Only time will tell

Clean coal technology can compete successfully with gas, but not in the immediate future, reports **Clive Cookson**

The run-down of British Coal is taking place against the background of a huge effort elsewhere in the world to develop efficient "clean coal" power stations which could compete with natural gas on economic and environmental criteria.

The problem in the UK is that the only coal-fired stations capable of competing financially with natural gas plants at today's prices are old ones whose capital costs have been written off. And they produce more pollution – sulphur dioxide, oxides of nitrogen and carbon dioxide.

But the position may be quite different a decade or two from now, when gas supplies are running short and new generations of clean coal plants are in operation.

There is "a ferment of innovation" in coal burning, says Walter Patterson, an energy analyst specialising in coal technology. "The world's engineering companies and their enlightened clients are spending large sums in a hectic race to expand the range of advanced coal technologies, improve their efficiency and enhance their environmental performance. What is more, they are succeeding."

Some 38 clean coal plants are operating in the US, where government and industry are jointly funding a $5bn (£2.9bn) clean coal programme over five years. One demonstration is AES Shady Point, a 320MW cogeneration (producing both electricity and heat) plant in Oklahoma which has low emissions not only of sulphur and nitrogen oxides but even of carbon dioxide.

In Europe and Asia, too, scores of advanced coal burning plants are being planned and built. But in the UK, where much of the original research into clean coal technology was carried out, the level of activity is now very low compared with other countries. The clean coal power stations developed so far fall into two broad categories:

- **Fluidised bed combustion (FBC)** involves burning powdered coal in a bed of pulverised limestone or dolomite (which acts as a chemical trap for any sulphur emitted from the fuel). An upward flow of air keeps the bed in constant motion like a boiling kettle. One turbine is driven by steam produced in boiler tubes in the fluidised bed and a second by the hot exhaust gases.

'The world's engineering companies and their enlightened clients are spending large sums in a race to expand coal technologies'

- **Integrated gasification combined cycle (IGCC)** plants have a gasifier in which coal reacts with steam and air or oxygen to produce a raw fuel gas containing carbon monoxide, hydrogen and methane. This gas is cleaned chemically to remove pollutants before firing in a gas turbine to generate electricity. The hot exhaust then produces steam to power another turbine.

FBC plants are particularly well suited for burning coal of low or variable quality and for cogeneration. Their net efficiency is around 41 per cent – a distinct improvement on the 38 per cent achieved by the best conventional coal-fired power stations with desulphurisation "scrubbers" but nowhere near the 52 per cent of a new natural gas combined cycle plant.

IGCC plants offer better performance than FBC when good-quality coal is available, though the technology is less well developed. Their net efficiency is about 43 per cent and emissions of sulphur and nitrogen oxides are comparable with a natural gas plant. The next important development will be the opening, scheduled for 1993, of a 285MW IGCC demonstration plant in the Netherlands designed by Shell.

Further improvements may be possible through combining the best features of IGCC and FBC. One hybrid is British Coal's proposed topping cycle technology. Stephen Dawes of the Coal Research Establishment predicts that a commercial topping cycle plant would achieve 47 per cent efficiency using current gas turbines and as high as 52 per cent if turbine technology continues to advance as expected.

British Coal has formed a consortium with PowerGen, the electricity generator, and GEC Alsthom, the Anglo-French generating equipment manufacturer, to develop the topping cycle. Chris Buck of GEC Alsthom says the group is "enthusiastic" about building a 75MW plant to demonstrate the technology, which would have great export potential. But it cannot go ahead until uncertainties about government support for the project and about the future of British Coal are resolved.

Dawes accepts that no clean coal plant built in the UK today can generate electricity as cheaply as a new natural gas plant, because the latter is technically so much simpler that its capital costs and non-fuel operating expenses are inevitably lower. Early in the next century, however, lower fuel costs for coal could tip the balance against gas.

One environmental factor on which coal cannot match natural gas is its impact on the greenhouse effect. It is chemically inevitable that burning coal produces more CO_2 than natural gas. Even here, however, there is hope in the very long term.

The idea of large-scale removal of CO_2 from power station flue gases was regarded until a couple of years ago as too fantastic to contemplate because of the high costs and the quantities of CO_2 produced by fossil fuel burning.

Recent studies under the International Energy Agency's Greenhouse Gas R&D Programme suggest, however, that CO_2 capture and disposal at sea may be technically feasible, environmentally acceptable and economically bearable.

Clean coal technology will not save British Coal from contracting further during the 1990s but it could lay the ground for a renaissance some time in the next century.

Aspiring to be an engine for change

Lord Moore talks to **Bronwen Maddox**

"I HAVE carte blanche to do what I want," says Lord Moore, the former UK cabinet minister who was appointed on Monday as head of the new Energy Saving Trust, one of the main planks in the government's environmental policy.

Expectations are high, both of him and of the Trust, an independent limited company which is intended to search out energy-efficiency schemes. Moore is optimistic that he can fulfil them. "There is no limit to the areas we can examine, and if I find that levers are inadequate, doors are closed, then I'll shout," he says.

Fighting talk – but he will start his chairmanship with at least two controversial issues on his desk. The first is the débâcle of the coal mine closures, and the question of whether environmental costs have tipped the balance between coal and gas.

Lord Moore: Trust chairman

Moore is adamant that he does not feel under pressure to enter the fray, although the comments of an independent body dedicated to assessing efficiency might be welcomed. "I refuse to be drawn into the political debate," he says, with a sensitivity that comes from an abrupt exit from politics after being tipped briefly as the successor to Lady, then Mrs Thatcher.

The sensitivity may be understandable, but then the Trust is on the sidelines of one of the most wide-ranging and controversial energy efficiency issues faced by the country.

Instead, the Trust is intended to focus on domestic rather than industrial projects – to search out ways for British Gas and the regional electricity companies to encourage their customers to use less energy in their homes. But even on that remit Moore faces an immediate obstacle.

Last week Stephen Littlechild, regulator of the electricity industry, appeared to veto the possibility of regional electricity companies passing on the cost of investments in energy-efficiency to their customers. However, plans for the Trust have always assumed that the cost of almost all its projects – both gas and electricity – would be passed on. At a stroke, Littlechild's statement seems to threaten half the Trust's potential success.

"It is too early to express disappointment. I want to find out what he thinks in detail," Moore says cautiously.

Beyond that immediate obstacle, he also needs to solve the conundrum of why companies should suggest schemes that persuade their customers to use less energy and so could cost them revenue.

Moore says he has a solution: "I believe that corporations have a role in the community and can enhance shareholders' return by being 'good corporations', not just by short-term profits." That is a much-debated position: although he is a director of Credit Suisse's fund management arm, he may not find his views of corporate governance shared by the mass of utility shareholders, let alone the companies themselves.

He feels, however, that he has equipped the Trust with enough independence from the government and the utilities to negotiate these questions. He says that one of his main conditions in accepting the job was that a majority of directors on the Trust's board should be independent of the utilities.

He is concerned too that the costs of running the Trust – which with an eventual staff of between 30 and 40 could amount to several million pounds a year – must not be paid entirely by the utilities. "That would be dangerous," he says, and he hopes that eventually the Trust can take fee income from initiating projects. He says he wants the Trust to cover businesses other than gas and electricity, possibly including the motor industry.

With much of the scope of the Trust in question, will it really have an impact? "I am not interested if it is just going to be small marginal schemes," he says. "What impact we will have as an engine of change I don't know."

PEOPLE

'Clearing of the decks' at Sheldon Jones: Strachan joins

Douglas Strachan, former chief executive of ProNed, is joining Sheldon Jones, the USM-listed pet-foods to timber and DIY company, as non-executive chairman, replacing Richard Sheldon, who remains on the board. Although the family holding – represented on the board by Sheldon, 57, and John Jones, 47 – now stands at 55 per cent, the last year has seen a considerable management restructuring and capital injection.

David Gwyther, the new chief executive, joined last November, and two venture capital companies, Murray Ventures and County NatWest Ventures, took part in a refinancing earlier this year. All this allowed the company to "clear the decks for future development", as Gwyther puts it. Sheldon had been non-executive chairman since July 1991.

Gwyther says Strachan possesses a breadth of experience and collection of contacts that hitherto the company did not have on the board. A director of Allied Lyons from 1976-1985, and Allied Breweries from 1977-1985, Strachan ran ProNed for the next four years. He is also currently a non-executive director of Cheltenham & Gloucester building society. Gwyther, who has known Strachan for some years, is himself an ex-Allied Lyons man, on the wines and spirits side.

Sheldon Jones is a former animal feeds specialist that has changed direction since the imposition of milk quotas in the late 1980s. Gwyther hopes to develop the fast growing pet foods division, currently under the Pascoe's brand name, as well as expanding into other branded consumer areas.

■ Stuart Allcock has been appointed director and general manager of Plysu Protection Systems, part of the PLYSU GROUP.
■ George Wilkinson has been appointed financial director and company secretary of PILKINGTON Communication Systems.
■ Edward Robinson, finance director of EWART, is also appointed company secretary following the resignation of Joseph Tedford.
■ Vince Kelly, formerly company secretary, has been appointed financial director of KRAUSS MEFFEI (UK).
■ Andrew Mallett, finance director of Courage UK Operations, has been appointed group executive director, finance for COURAGE.
■ Martin Elliot has been appointed sales director of Weir Systems, part of WEIR GROUP.
■ Judith Evans has been promoted to departmental director responsible for corporate personnel.
■ Penny Payne is returning to Cowie Interleasing, part of T COWIE, after four years in management consultancy, as sales director.

■ Stuart Barr, md of BARR WALLACE ARNOLD TRUST, has died.
■ The Earl of Carrick, chairman of Balfour Maclaine Corp, and a director of Bowater, Cargill and Chloride Eastern Industries, died on October 5.

Bodies politic

■ Peter Beales has joined the BRITISH MERCHANT BANKING AND SECURITIES HOUSES ASSOCIATION as director, merchant banking and finance.
■ Anna Vinton, joint chairman and co-founder of The Reject Shop, has been appointed a member of the COVENT GARDEN MARKET AUTHORITY.
■ John Grieves, senior partner of Freshfields, has been appointed a director of BRITISH INVISIBLES.
■ John Benson, chairman and chief executive of 3M, Michael Dellar, chairman of the Envelope Makers' and Manufacturing Stationers' Association, Nicholas Phillips, director-general of the Institute of Practitioners in Advertising, and Richard Wade, director-general of the Advertising Association, have been appointed members of the CBI's national council.
■ Steve Shirley (below), founder director of FI Group, has been appointed Master of the WORSHIPFUL COMPANY of INFORMATION TECHNOLOGISTS.

Giles Henderson, 50, has been appointed senior partner of City solicitors Slaughter and May in succession to George Inglis who will retire at the end of the year after 36 years with the firm, seven of them as senior partner.

Henderson takes over at a time when Slaughters' supremacy as the leading City law firm is under attack in an increasingly competitive marketplace for commercial law services.

One of his first tasks will be to resolve the internal debate over whether the firm should follow the lead of most of its competitors and market its services or whether it should continue to rest on the strength of its reputation.

Having read law at Magdalen College, Oxford, he joined Slaughters in 1968, becoming a partner in 1975.

His practice has been in the firm's core areas of work – general corporate and corporate finance – and he has spent the past 10 years working on UK privatisations, leading the firm's team on the privatisation of British Telecom, British Gas and the electricity industry. He was awarded the CBE in 1991.

Non-executive directors

J Sainsbury, the UK's biggest grocery chain, has cannily enlisted the expertise of the former permanent secretary at the Department of the Environment by appointing Sir Terence Heiser as a non-executive director.

Sir Terence's inside knowledge of the UK's planning policies will no doubt come in handy to the supermarket chain as it continues to lay down new stores at a furious rate. He becomes Sainsbury's fourth non-executive director filling the position vacated by Lord Prior, the former Tory minister, who retired at the last annual meeting.

Since his retirement this year, the 60-year-old civil servant, who headed the DoE during the turmoil of the poll tax, may well have found more time to indulge his passions for reading, walking and talking.

Unfortunately, he will have little time to talk to Lord Sainsbury about the company before he hands over the chair to his cousin David in early November.

■ Lars Ahrell, a director of Tufton Group, at CHLORIDE; Tufton Associates advises Mercurius, a shareholder of Chloride.
■ Tim Thornton, a director of Kleinwort Benson Securities, at MOORGATE INVESTMENT TRUST.
■ Adrian Gozzard, human resources director of TSB Group, at DC GARDNER.
■ David Ritchie, deputy md of Scottish Widows, as chairman of its subsidiary, CONNELL, on the retirement of John Simson as chief executive and non-executive chairman.

CONTRACTS AND TENDERS

ASM - BRESCIA
azienda servizi municipalizzati - brescia

NOTICE

A.S.M. intends to carry out a remote-reading system of its electricity, gas, water, and heat meters.

The initial project is for a lot of 12,000 (twelve thousand) meter points distributed throughout an area of the city of approximately 1.5 sq. km.

The firms with relevant know-how and technology that are interested in the planning and "turn-key" realization of this remote meter reading scheme, transmitting data by radio and by signals superimposed on an electrical network (carrier current) and that have already carried out such systems (of a reasonable scale and already functioning), are asked to present the appropriate documentation.

This documentation, in English or Italian, should be sent to the following address within one month of the publication date of this notice:

A.S.M. – Azienda Servizi Municipalizzati
Via Lamarmora 230 – 25123 BRESCIA, Italy
Telex 300258 ASMBSI – Telefax +39-30-3500204

LEGAL NOTICES

INSOLVENCY ACT 1986
NOTICE TO CREDITORS
HOME AND OVERSEAS TRUST LIMITED
(IN Members Voluntary Liquidation)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 16th day of November 1992, to send their names and addresses, with particulars of their debts and claims to the undersigned Richard William James Long and Ian Jacob of Robson Rhodes, 186 City Road, London EC1V 2NU the Joint Liquidators of the company, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Note: This notice is purely formal and all creditors have been or will be paid in full.

Dated: 12th day of October 1992.
R W J Long and I Jacob, Joint Liquidators

INSOLVENCY ACT 1986
NOTICE TO CREDITORS
GENERAL OVERSEAS INVESTMENTS LIMITED
(IN Members Voluntary Liquidation)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 16th day of November 1992, to send their names and addresses, with particulars of their debts and claims to the undersigned Richard William James Long and Ian Jacob of Robson Rhodes, 186 City Road, London EC1V 2NU the Joint Liquidators of the company, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Note: This notice is purely formal and all creditors have been or will be paid in full.

Dated: 12th day of October 1992.
R. W. J. Long and I. Jacob, Joint Liquidators.

The Companies Act 1985
Company Number 02016418
SC PROPERTIES (UK) LIMITED

Special and Ordinary Resolutions. At an extraordinary general meeting of the Company held at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS on 15 October 1992, the following Special and Ordinary Resolutions were duly passed:- SPECIAL RESOLUTION THAT the Company be wound up voluntarily. ORDINARY RESOLUTION THAT Christopher John Hughes and Timothy Richard Harris of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ be and are hereby appointed liquidators for the purposes of the aforesaid winding-up, and the acts and powers of liquidator may be done and exercised by both of them jointly or either of them severally.

NOTICE TO CREDITORS TO SEND CLAIMS
SC INVESTMENT (UK) LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before 20 November 1992 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to Mr C.J. Hughes and Mr T.R. Harris, both of CORK GULLY, Shelley House, 3 Noble Street, London EC2V 7DQ, the joint liquidators of the said company, and, if so required by notice in writing from the said liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 15th October 1992

Company Number 2016418
SC PROPERTIES (UK) LIMITED

Previous names of company: Take Total Limited. Nature of business: Purchasers of property & land. Type of liquidation: members. Address of registered office: 110 St Martins Lane, London WC2N 4PJ. Liquidators names and address: Christopher John Hughes & Timothy Richard Harris. Both of Shelley House, 3 Noble Street, London EC2V 7DQ. Office holder numbers: 2041 and 2082. Date of appointment: 15 October 1992. By whom appointed: Members. Date: 16-10.92

Company Number: 2386427
SCP (THE CORNER) LIMITED

Special and Ordinary Resolutions At an extraordinary general meeting of the Company held at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS on 15 October 1992, the following Special and Ordinary Resolutions were duly passed:- SPECIAL RESOLUTION THAT the Company be wound up voluntarily. ORDINARY RESOLUTION THAT Christopher John Hughes and Timothy Richard Harris of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ be and are hereby appointed liquidators for the purposes of the aforesaid winding-up, and the acts and powers of liquidator may be done and exercised by both of them jointly or either of them severally.

Company Number 2386427
SCP (THE CORNER) LIMITED

Previous names of company: Lineage Limited. Nature of business: Property Dealers. Type of liquidation: Members. Address of registered office: 110 St Martins Lane, London WC2N 4PJ. Liquidators names and address: Christopher John Hughes & Timothy Richard Harris both of Shelley House, 3 Noble Street, London EC2V 7DQ. Office holder numbers: 2041 and 2082. Date of appointment: 15 October 1992. By whom appointed: Members.
Date: 16th October 1992

Company Number 02016418
Notice to Creditors to send claims
SC Properties (UK) Limited
(In Liquidation)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before 20 November 1992 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to Mr C J Hughes and Mr T R Harris, both of CORK GULLY, Shelley House, 3 Noble Street, London EC2V 7DQ, the joint liquidators of the said company, and, if so required by notice in writing from the said Liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 15th October 1992.

Company Number 2488245
SC INVESTMENT (UK) LIMITED

Nature of business: Investment Company. Type of liquidation: Members. Address of registered office: 110 St Martins Lane, London WC2N 4PJ. Liquidators' names and address: Christopher John Hughes & Timothy Richard Harris both of Shelley House, 3 Noble Street, London EC2V 7DQ. Office holder numbers: 2081 and 2082. Date of appointment: 15 October 1992. By whom appointed: Members.
Date: 16th October 1992

NOTICE TO CREDITORS TO SEND CLAIMS
SC INVESTMENT (UK) LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before 20 November 1992 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to Mr C.J. Hughes and Mr T.R. Harris, both of CORK GULLY, Shelley House, 3 Noble Street, London EC2V 7DQ, the joint liquidators of the said company, and, if so required by notice in writing from the said liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 15th October 1992

Company Number: 2386427
NOTICE TO CREDITORS TO SEND CLAIMS
SCP (THE CORNER) LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before 20 November 1992 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to Mr C.J. Hughes and Mr T.R. Harris, both of CORK GULLY, Shelley House, 3 Noble Street, London EC2V 7DQ, the joint liquidators of the said company, and, if so required by notice in writing from the said liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated 15th October 1992

Black magic at work around the world

Is entrepreneur Conrad Black a supreme strategist or a lucky deal-maker? Ian Hargreaves and Bernard Simon examine both his doggedness and inconsistency

Conrad Black has many faces: student of Napoleon, political philosopher and press baron. And (top left) as painted by Andy Warhol

Conrad Black is not a man who excites neutral judgments. For every media watcher who will tell you that Black, at 45, is the emerging global media boss of the 1990s, there is another who will say he is a lightweight whose fortunes rest on one great deal – his purchase and subsequent turnround of Britain's Daily Telegraph.

Fresh from quitting the battle for the New York Daily News, Black is certainly the stuff of which tycoon legends are made. Ever since he was expelled from a posh Canadian boarding school for stealing and selling exam papers, a mythology has grown around him. Over the years, we have had Black the historical biographer, Black the student of Napoleon, Black the military/corporate strategist, Black the deal-maker, Black the establishment man, Black the Catholic convert, Black the political philosopher, Black the potential (Canadian) prime minister, Black the press baron.

By the age of 40, he had already built, dismantled and then re-assembled what he told his biographer in 1982 would be "a diversified major enterprise carrying the name of Canada to the four corners of the earth": his interests extended from farm machinery to oil. "I'm proud of that era because I created a significant amount of wealth legally and fairly," he says. "Napoleon said 'force is mass times velocity' and I did demonstrate a rather high velocity."

Black's 1982 prediction, however, has not quite worked out. In the last decade, he has sold most of his non-media interests to pay for the Telegraph, whose controlling shareholder is Vancouver-based Hollinger, Black's main quoted company.

Today, Black spends nine months of the year in London, where he has two houses, one a residence, the other a library. His office high in Canary Wharf, where the Telegraph is based, looks like a film set for an English colonial drawing room, dressed with paintings of naval battles.

Hollinger owns or controls more than 100 daily newspapers and about 200 weeklies, most of them tiny, in North America, Britain, the Caribbean, Australia and Israel. The jewels are the Daily Telegraph, which last year contributed 80 per cent of group profits, and the Telegraph's 15 per cent stake in Fairfax, a top Australian publisher. Even with group sales of C$780m (£351.3m) in 1991 and paid daily circulation of 2.5m, however, Hollinger is way behind Rupert Murdoch, whose Sun alone outsells all of Black's daily titles.

Black is proud of the relative stability of Hollinger's cash flow during the recession, although revenues and profits have stagnated since 1989 and the company has had to U-turn on its debt profile. In 1991, Hollinger piled on debt to buy into Fairfax, to add American titles and to obtain extra Telegraph shares. This year, Hollinger has floated part of the Telegraph, raising £84.5m, and sold at a C$38m loss a stake in United Newspapers, paying down C$522m of debt and improving its debt to equity ratio from 1.96:1 to 1.1:1.

This has not prevented Black from maintaining his velocity on the deal-hunting front. The question is: does Black have anything which can be described as a strategy? Or is Hollinger a company driven only by deals?

"The common thread is they're all newspapers, highly economically priced given their potential turnaround," says Black. "If we think the franchise is good and we can make a good deal and manage it up from there and physically cope with the distance involved, we'll do it."

The classic execution of this strategy has been at the Telegraph, where Black's astutely timed purchase of a minority share and pre-emptive rights on other holdings in 1985, has been followed by a dramatic recovery in the business.

Under Black, the Telegraph has cut production and distribution costs while more than doubling the editorial budget to make the newspaper more attractive to younger readers. At the same time, its cover price has been shifted from a no man's land between quality and popular titles to price leadership among the white broadsheets, so reducing exposure to the advertising market. This has more than off-set a continued decline in circulation, which has fallen from 1.4m in the early 1970s to a whisker above the 1m mark. With inflation lower, Black says "a little more caution is called for" on cover prices.

It is not exactly clear how Black will develop his UK media interests from this healthy base. His courtship with United Newspapers apparently signalled interests in popular newspapers. Black now describes as "a mistake" his belief that United faced a takeover struggle, leading to a possible "partial merger between us or of exchanging shares for some of United's desirable assets".

Ever since he was expelled from school for stealing and selling exam papers, a mythology has grown around him

As for the timing of his costly exit, Black absolutely denies pressure from his bankers, but says he was influenced by poll predictions that Labour might win the election and further depress the value of his holding. Others in the Black camp say he received a political warning that the government could not allow the construction of yet another large, Conservative national newspaper group in Britain. "I never heard that and never solicited a view," says Black.

It may yet be that Black will test this by bidding for the Mirror group, of which he says: "it's possible". He sees no problem owning a pro-Labour newspaper, "so long as it was militating within the labour movement for a moderate position".

Even clearer is Black's desire to establish himself in the British regional newspaper market, although again the way forward is not obvious. He is excluded from boardroom influence at Trinity International, in which the Telegraph inherited a 13 per cent stake from Hollinger. Trinity owns newspapers in Britain and north America, but has a tight share voting structure established in 1904 to protect the then Liberal publisher from Tory predators. Black fulminates on cue about this "antediluvian, gerrymandered share structure", but claims: "We're completely passive investors." This does not quite fit with his comment that the Trinity shares were bought as "a play on the shareholding structure". Nor is it in full harmony with Black's generalisation that "we're rarely long-term minority shareholders".

Black's probing manoeuvres at Trinity and United have also characterised his so far not very successful approach in the UK television industry, where inter alia he expressed an interest (since withdrawn) in Channel 5, bought a 5 per cent stake in Carlton (winner of the London weekday ITV franchise) but lost out in manoeuvring over the breakfast television franchise.

The word is that a relationship with Michael Green, the boss of Carlton, has cooled, as Black implies when he dismisses the Carlton stake as "just an afterthought". He now says: "The software companies might be better than the licence holders." But he concedes that "no-one can foresee a big increase in the circulation of our newspapers ... so it's natural for us to want to diversify a little".

There is in all these situations an odd mix of doggedness and inconsistency, as there has been in north America, where Black and his partner, David Radler, have been buying newspapers since 1969, while going in and out of broadcasting, supermarkets and oil wells.

Black is cross that his north American publishing interests received such a sniffy press during the Telegraph flotation and proclaims them an example of his ability to break creatively with conventional wisdom, in this case the view that circulations lower than 25,000 are not worth the bother for a leading publisher. Computerised data analysis has given the lie to that, says Black. From the published figures, however, it is difficult to assay the performance of a big Hollinger division like American Publishing.

Black says his style in running the group is to delegate and "to monitor what's going on in as unobtrusive and little irritating a way as possible". Newspapers, he says, are "conceptually very simple. If you watch the payroll, circulation and the ad revenue you have the picture." This surveillance is mostly a weekly task, with figures going to Black and Radler. Black says he spends a lot of time "thinking about how to expand sensibly, working on whether a proposition is sound". How many deals has he looked at this year? "Personally about a dozen, the company dozens."

Colleagues across the world confirm that he does indeed delegate, seldom visiting properties. Other features of his management style are: close attention to costs; heavy borrowings linked to the projected earnings stream of acquisitions and what might be grandly styled the geopolitical criteria for investment.

Black says he invested in small town America because he believed in its potential under Ronald Reagan, just as the election of Margaret Thatcher made it possible for him to live and work in Britain. He even defends his most controversial publishing deal, the purchase in 1989 of the Jerusalem Post, on the grounds that Israel's sclerotic statist economy is due for improvement.

Hollinger paid $20m for the Post, more than twice the level of the nearest bid, and quickly switched its political support from Labour to Likud, raising suspicions that Black's motives were less commercial than political. The Post is managed by Yehuda Levy, a former army officer befriended by David Radler, a fellow Jew, during a stay in Vancouver. Levy claims that since the purchase, another $10m has been spent on modernisation, but that with staff numbers falling by 60 per cent to 210, the paper is on the road to profitability. Black denies non-commercial motives and says the switch in editorial line has been exaggerated. "I have been accused of devising a form of Jewish fascism, which is just outrageous," though he admits some editorials "get a little carried away on Jewish issues".

Black's politics are the subject of much scrutiny as he extends his interests. His newest editors at Fairfax are especially nervous, particularly with regard to his plans for the leftish Melbourne Age.

"I am more interested in the professional presentation of information and the publication of intelligent advocacy than I am in propagating my own views. I don't try to turn foreign newspapers into organs of what I believe," he says. So can he imagine the Melbourne Age backing the Labor Party in a general election? "I can conceive of circumstances." How likely? "Not likely, but not out of the question." Will he be changing editors at Fairfax? "I think I'll duck that one."

Black says he has "a constructive relationship" with Paul Keating, Australia's Labor prime minister, which is just as well, since he badly wants to extend the Telegraph's shareholding in Fairfax beyond its current legal limit, something he concedes is more likely if Keating loses the election. Without access to a bigger holding, Black has all the management responsibility at Fairfax for limited reward and security.

Black argues that shareholders get a better deal from companies run by strong proprietors with clear views and that readers get better newspapers. "Can anyone imagine that this mighty enterprise built up

In conversation, Black displays an unpredictable blend of bluster, wordy explanation, caution and mischief

by Rupert Murdoch could have been accomplished by people who did not have a significant financial stake in it?" he asks.

His political views, he says, are not "far to the right of the general orthodoxy." His all-time political hero is Abraham Lincoln, but he also praises FDR as the president who "saved the capitalist system" in the 1930s by preventing the growth of an American hard left. But he prefers Bush to Clinton. He says that newspaper owners have three choices: like Roy Thomson to focus only on business performance; like Robert Maxwell to dictate editorial lines in some detail; or, as he sees it, a middle way.

In practice, says Black, editorial decisions fall into three categories: the trivial; the moderately important, when he might write a signed letter or article; and big issues when "I have a discussion with the editor and we work out a common policy." A year ago, Black pursued a category two issue in the Spectator, which he bought for £2.5m in 1988, complaining about "an error-ridden cover piece on the Reichmanns and a gratuitous sketch of Lord Carrington." He added that these two gentlemen "would have the right to expect to be treated fairly by the Spectator even if they were not directors of the companies that ultimately owned it and friends of its proprietor."

"Black doesn't use his papers to attack his enemies, but he doesn't like them attacking his friends," says one of his journalists.

Black can recall two occasions when he has insisted upon his personal view in the Telegraph leader column: that the paper remained loyal to Thatcher during her leadership crisis and that there be no ambivalence about the desirability of a Conservative victory at the last election. Two years ago before giving a Eurosceptical speech to a Tory party fringe meeting, he ensured in advance that the Telegraph's leader writers were prepared to support its thesis. "I was not prepared to give an address which was sharply contradicted in our own leaders."

It is, in the end, impossible to separate a judgment of the man and his companies. Black's taste for financial deal-making, VIP-networking and public debate combine in the newspaper business in a way they did not when he was running shops and oil wells. It is easy, for example, to mock Black's boardroom collections of public figures, but unwise to overlook the shrewdness of his links with a body like the Canadian Imperial Bank of Commerce, upon whose board Black sits and whose former chairman, Donald Fullerton, this year joined the Hollinger board.

But it is also true that on the global media stage, Black has not found steady partners. His links with Kerry Packer foundered in Australian politics (and, some add, in mutual rivalry) and in Britain he has yet to make a solid alliance.

Black admits that he sometimes misjudges public relations. In the early 1980s he was embroiled in a notorious battle over a pensions fund surplus. It took the intervention of the Ontario courts to force Dominion Stores, a Hollinger company, to agree with its trades union to divide the disputed surplus between the company and fund members. "It has taken some considerable time and a number of libel suits for me to live down the reputation attached to me by a left-wing politician in Toronto of being, in effect, a brigand who helped himself to the pension entitlements of defenceless people," says Black.

In conversation, Black displays an unpredictable blend of bluster, wordy explanation, caution and mischief. He's a cross between an investment banker and a 19th century belletrist.

So it not surprising that there is an impulsive, accidental quality about the way Hollinger has sometimes surged ahead, to be checked as the boss becomes distracted or decides to take stock. Everything still stems from the availability and quality of the individual deal, even if the deals today are largely confined to the media. Black has not yet had time to prove that he can sustain high quality management of a global range of media properties.

"The problem with Conrad is that he's always looking to the next deal," says Hal Jackman, lieutenant governor of Ontario and a Hollinger director until last year.

Black counters that he is not known for overbidding and cites the New York Daily News. His cautious side is, he insists, deeply rooted in his experience. "If you want to be an objectively wealthy person, you have to bet everything once. It was my experience to do that twice and I did not find that a stimulating experience. If other, more daring or more imaginative people make more money than we do, then God bless them. I don't want to wake up every night worried about my borrowings." Perhaps he really doesn't want to be Rupert Murdoch.

Additional reporting by: Kevin Brown in Sydney, Hugh Carnegy in Jerusalem and Alan Friedman in New York

Key Facts

1944 - Black born in Montreal.
1969 - Black and two partners buy the Sherbrooke Record in Quebec. They later acquire other small papers in Quebec and British Columbia.
1978 - Black gains control of Argus Corp after persuading widows of company founders to support his bid.
1979 - Black buys control of Norcen, an energy producer.
1980 - Argus donates its 3m Massey-Ferguson shares to Massey's pension fund.
1982 - Norcen makes abortive bid for Hanna Mining.
1985 - Remaining Argus assets shifted into Hollinger.
1985 - Hollinger buys an initial 14 per cent of the Daily Telegraph. Later raised to 50 per cent at a price of 50p per share.
1986 - Hollinger acquires American Publishing; sells Norcen stake.
1987 - Stake in Telegraph raised to 57 per cent, later to 83 per cent.
1987 - Last of Dominion Stores' food distribution units sold.
1989 - Hollinger buys 77 per cent of Jerusalem Post, subsequently increased to almost 100 per cent.
1991 - Telegraph buys a 15 per cent stake in Fairfax.
1992 - Hollinger sells 14 per cent of the Telegraph to the public.
1992 - Black outbid for bankrupt New York Daily News by Mortimer Zuckerman

Power behind global throne

Dan Colson: Black's long-time ally and troubleshooter

Black's senior management team combines old friends and carefully-picked outside managers. Several are self-made men who have not had Black's privileged upbringing, but share his right-of-centre political views.

Larry Perrotto still runs American Publishing's 217 papers from the small, coal-mining town of West Frankfort, Illinois. Perrotto, reputed to be among the wealthiest men in the area, moved there from Pennsylvania in the late 1960s when he and three partners bought the local newspaper. Hollinger bought them out in 1986.

Besides Perrotto, two of his original partners also remain on AP's payroll. Most noteworthy among those who have remained at Black's side are David Radler and Peter White, the friends who joined him in buying the Sherbrooke Record in Quebec in 1969.

Black, Radler and White between them now own almost all the shares of Ravelston Corp, Hollinger's holding company. The remaining Ravelston stock is held by the estate of Black's father, and by Dixon Chant, an old family friend whom others describe as Conrad's "father-confessor".

By all accounts, no one in Hollinger has a greater influence on Black than Radler, who carries the title of president. From cramped offices in an inconspicuous, two-storey building on the fringes of downtown Vancouver, Radler directs all Hollinger's north American operations, as well as the Jerusalem Post.

The two men are cut from different cloth – perhaps one reason, Radler observes, why they get on so well. Radler, aged 50, is a scrappy, no-nonsense manager with his eye firmly on the bottom line. He is as likely to wear a sports jacket as a suit to the office. An autographed picture in Hollinger's Vancouver offices of Israeli prime minister, Yitzhak Rabin, is one of the few concessions he makes to the world of international politics and business diplomacy in which his partner revels.

Radler says that his background in small-town newspapers has taught him "how to do without". He says that "all I want to see is efficiency. If I can see that an operation can be run by two people, and we have six, I want it run by two."

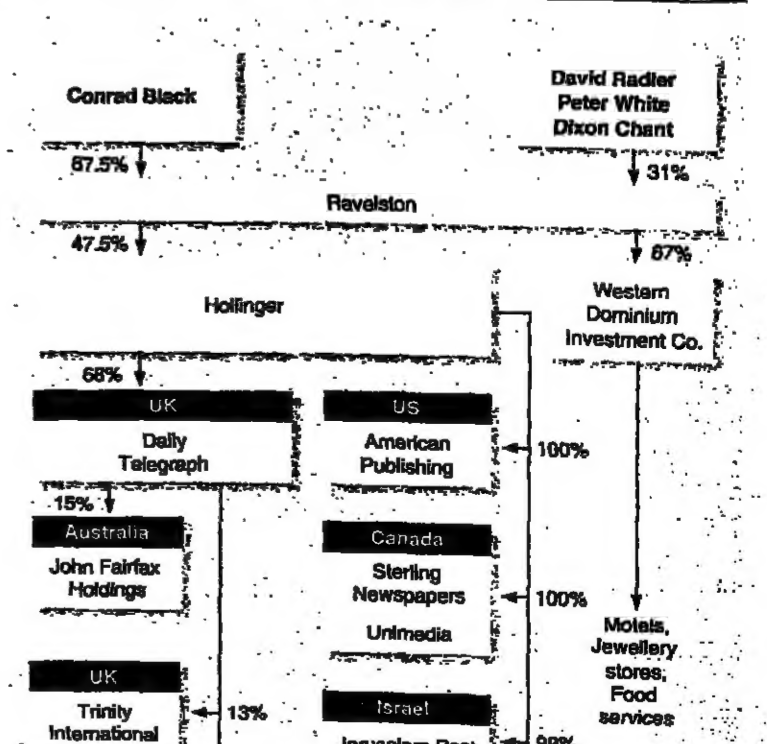
Radler's blunt manner and his emphasis on cost-cutting have not endeared him to senior management at the Telegraph. While he still sits on the Telegraph board, most of Radler's time is taken up with north America and the Jerusalem Post; had Hollinger got the New York Daily News, Black and Radler planned to run it together.

Black's other partner in Ravelston, Peter White, devotes much of his time to outside interests, from skiing to politics, and has little day-to-day influence in Hollinger. But White, aged 53, still has a desk at the company's elegant offices in Toronto. He says he is using his fluency in Spanish to scout for newspaper acquisitions in Latin America.

Another long-time ally, Dan Colson, aged 45, has become Black's troubleshooter outside north America. Colson, who met Black at university, is a partner in the London office of the Canadian law firm Stikeman Elliot. But as chairman of Fairfax, he spends almost all his time on Hollinger business.

Unravelling the threads of a complex empire

From the UK to the Caribbean, taking in Australia, north America and Israel — how the net works



Conrad Black has always had a taste for complex corporate webs, multi-tier debt arrangements and manoeuvrable structures, although his business interests are organised more simply than they used to be and he says the structure will become plainer still.

Hollinger began as a mining company, but has become Black's main Canadian-quoted company for his media interests.

Because of the London stock exchange's anxieties following the collapse of the Maxwell empire, Black was obliged when floating the Telegraph stake to give strict undertakings about the separation of Telegraph activities from those of Hollinger.

The exchange's concerns were heightened when it came to light in the flotation process that Hollinger had failed to follow correct procedures in drawing a loan from the Telegraph, an act which some in the city thought serious enough to warrant abandoning the float, though Black dismisses it as an oversight by his own staff and by external advisers. "To have some people encourage the inference that this had Maxwellian overtones I found somewhat irritating."

The upshot is that the Telegraph runs Europe, Australia and New Zealand and Hollinger runs north America, the Caribbean and Israel. The two companies are allowed to conduct joint ventures with each other only if the Telegraph's minority shareholders agree – Black says he was considering just such a joint venture in New York.

This arrangement also means, much to Black's irritation, that should Telegraph minority holders decline a joint venture proposal in the Telegraph's territories, they would also have the right to prevent Hollinger's participation.

"Can you imagine anything so fatuous, so monstrously ultravires," he says. "It's a classic case of regulators setting out to protect shareholders and succeeding in damaging their interests."

Since the Telegraph has powerful cash flow and a very strong balance sheet, there has been concern among some investors that Hollinger will find unacceptable ways of taking advantage of the Telegraph's financial resources.

Black says Telegraph cash "is not available to the group except in the form of dividends justified in the context of the Telegraph business".

In 1990, £28m was paid in dividends on post-tax profits of £34.7m, contributing heavily to servicing Hollinger's debt; last year, the dividend was cut to £12m on profits of £33.9m. Black stoutly defends his record over the years in dealing with minority shareholders. "I accept that there were concerns about that at the time of the flotation, but only the passage of time will lay those concerns properly to rest."

Meanwhile, Hollinger continues to struggle with the fact that the value of its Telegraph interest is scarcely recognised in its own share price. With Hollinger's common shares trading at around C$12, the company is capitalised at about C$680m (£306.3m) – about C$900m, says Black, if you include warrants – whereas the Telegraph, of which Hollinger owns 68 per cent, is valued in the market at about £400m. "It's an interesting question that we puzzle over," says Black of Hollinger's weak share price. He puts it down to Canadian disenchantment with media stocks and the fact that only about a third of Hollinger shares are available in the market as a float.

ARTS

Ballet

'Green Table' revisited

Scene from Kurt Jooss's 'The Green Table', revived in Birmingham by his daughter Anna Markand

The Green Table was a dance-icon of the 1930s. It won a prize at a choreographic competition in Paris in 1932, and launched the international career of Kurt Jooss, its creator. And because of its ever-apt theme – the sufferings we know in war – it has acquired a spurious sanctity. To attack it, to declare it a stodgy, albeit well-intentioned; piece is seemingly to attack its moral worth.

Well, moral rectitude never had anything to do with choreography, and I have always found Jooss's dances very lumpy going. (When I first saw *The Green Table* – with Jooss's own troupe, in the middle of the war – I thought it singularly unlike what was raging around us. What remains with me still is a memory of the dramatic weight, the physical density, with which certain of Jooss's finest artists – Sigurd Leeder, Hans Zullig – imbued their actions).

Jooss's dance language owed everything to his experience as a student of the movement theorist Rudolf Laban. His quest was for a style in which emotional expression should find its most direct and essential means. In all of his dance works that I saw, there was earnestness, simplicity, and these qualities are clear to see in the revival of *The Green Table* that entered the Birmingham Royal Ballet repertory on Monday night. BRB's director, Peter Wright, appeared as a young dancer with Jooss, and this staging is his tribute on the 60th anniversary of the ballet's creation.

Scrupulously revived by Anna Markard, Jooss's daughter, *The Green Table* wears its years badly – it looks like an old Art Deco poster blowing in the winds of time. Death (Joseph Cipolla, very good) stamps and stalks; the Standard Bearer (well done by James Bailey) is heroic; a Mother (Marion Tait, the best advocate for Jooss's expressivity) grieves. A girl suffers and becomes a prostitute, and the profiteer (oh, the rubbing of the white-gloved hands!) does his blatant thing. These are clichés. Behaviour is sentimentalised, and movement is as predictable as one might expect when stereotypes are set on stage. The Fritz Cohen score for two pianos is leaden. And so is much of the choreography. Some groupings are still theatrically vivid – the frieze of mourning women; the procession of Death's victims – yet what may have seemed apt or innovatory in 1932, has faded badly, and the dance (unlike, say, the texts of Massine's symphonic ballets of the '30s) lacks an imaginative fire that will touch us. The BRB cast work well, but Jooss's solemnities do nothing interesting for them.

This opening programme of the BRB season also brought another acquisition: Ashton's *Symphonic Variations*. It is a serene masterpiece, and one now so weighed down by its significance – as Ashton's declaration about English classic dance; as a portrait of its sublime first cast headed by Fonteyn and Michael Somes – that I sense that new interpreters are over-awed even before they reach the stage. Monday night's sextet had the anxious and too reverential air of people late for church, busily making up for their mistake by rushing their devotions and looking generally harried. Michael Somes has produced an impeccable text. His dancers, alas, fudged too many moments – a ravishing backward-curving pirouette for one of the men was lost; steps were gabbled beneath rigid torsos. Let them relax, and allow the music to pour through them to shape the dance, and Ashton will look like Ashton.

The evening was completed with David Bintley's *Flowers of the Forest*, very well done. The Hippodrome management, incidentally, deserves its public's thanks for the re-seating of the stalls: sight lines are much improved.

Clement Crisp

The Birmingham Royal Ballet season continues at the Birmingham Hippodrome until October 31.

Television/**Christopher Dunkley**

Breakfast today, peak time tomorrow . . .

Only last month I said in this column that, instead of perpetually condemning television for its worst examples of mass produced rubbish, we should treat the medium as we do other things, from painting to clothing, and judge it by its best. I argued that the proportion of good to bad in television was probably about the same as in the print or prepared food industries, yet whereas the chattering classes and "Eating Out" columns concentrate exclusively on top restaurants, ignoring burger bars and pizza parlours, and the literary pages disregard tabloid newspapers and pulp romance to dwell on biography and major novels, television is routinely condemned for the ghastliness of its game shows and soap operas.

The truth of that argument has surely not changed in the last six weeks, but the strength of it looks more and more doubtful as British television, and especially commercial television, scrambles faster and faster down market. Anyone seeking to defend television's reputation on the grounds that there is still a remarkable quantity of admirable programming has had his work cut out as expanding areas of the old schedules succumb to material which is either cheap and mindless or cheap and imported. Tonight's ITV schedule in London (not dramatically different in most other regions, though several get some football) is a strikingly awful example.

The oldest of all the tabloid-telly series, *This Is Your Life* at 7.00, is followed by the oldest soap opera on British television, *Coronation Street*, and then – between 8.00 pm and 2.45 in the morning – three old movies filling five hours 35 minutes: *Three Days Of The Condor*, *Amityville II* and *The Beast In The Cellar*. Forty minutes is devoted to news and weather at 10.00 and, all too fittingly, at 12.35 there is a half-hour programme called *Hollywood Report* which threatens "behind the scenes reports and interviews with the stars". And that is it; an entire mid-week evening schedule.

Of course Thames Television has lost its franchise and may be feeling like the man forced to work out his notice in a confectionary factory (anyone want two tons of peppermint rock with "Sod off" written down the middle?) But anybody who imagines that the proportion of high quality material on ITV is likely to go up in January has not been keeping an ear to the industry grapevine. Anyway, London Weekend has not lost its franchise, yet look at its Saturday evening schedule: *Gladiators*, a British copy of a particularly gormless American game show, followed by no less than three embarrassment series, end to end: *Blind Date*, *Beadle's About* and *Dame Edna's Neighbourhood Watch*. Those are followed by an old movie, 20 minutes of news, and a repeat of the creepy *Hale And Pace*.

However depressing all this may be for the more demanding viewer, it seems almost irrelevant when compared with what has just happened on Channel 4 in the early morning. Experience over the last few years suggests that what is introduced today at the margins (breakfast time, daytime, and the middle of the night) may well turn up tomorrow in peak time. Those who have followed this column on the long marches through the margins may recall reviews of an American programme which literally chased ambulances, of "yoof" material where style usurps content, of *American Gladiators*, and numberless American tabloid telly series specialising in prurient interviews. Sure enough, all this is now moving from the margins into peak time. So it seems worth looking at Channel 4's *Big Breakfast* to see what may be next.

Having been unsuccessful with a breakfast programme aimed at intelligent adult viewers looking for news, C4 has gone to the other extreme and created a show which appears to be aimed at young and unintelligent children. It is presented not from a studio but from three cottages knocked together and painted in the brilliant primary colours and designs of a pantomime kitchen, or *Playschool*. Presenters Chris Evans and Gaby Roslin both look well under 30, and talk across one another in the comprehensive school glottal stop argot which is now as tediously uniform on yoof television as received pronunciation once was on the BBC.

You would never know from this programme that plenty of children play the clarinet, belong to the Scout movement, or read books. It is almost entirely concerned with those subjects – pop music, videos, computer games, American animated cartoons (cheap old series such as *Dennis The Menace* and *The Banana Splits* appear to be regulars) – which have the blessing of the peculiar adults who specialise in yoof TV. The garish and overstated look of the show is matched by its tone of perpetual hysteria: the impression is not of being spoken to but of being screeched at. Camera crews and sound technicians are required to whoop and cheer the presenters' "jokes" in the contrived style of American studio audiences. The whole approach is typified by a couple of manic puppets from the *Sesame Street* mould whose voices never fall below the level of a scream.

Very occasionally this Beano Comic version of life is punctuated by something weirdly inconsistent: a report on sexual harassment (what are eight-year-olds supposed to make of that?) or four minutes of Bob Geldof talking to Nelson Mandela ("Was the prison experience essentially a very hard experience? . . . You don't mean you *like* Abba?") The infrequent news bulletins are presented, ludicrously, in the abbreviated language used in newspaper headlines for space reasons: "Britain on collision course with EC bureaucrats . . . Horror at Horse of Year Show . . ." The slavish imitation of a communication medium 500 years older than television speaks volumes about how much thought went into preparing this show.

Yet again it must be said that the week did, of course, bring impressive programmes. To an outsider, at least, the first part of C4's *Greed And Glory* looked like an astute and credible account of the recent boom years in the City of London. BBC2's series about fashion and designers, *The Look*, is proving greatly superior to television's usual catwalk hagiographies; not only has it has been thought through, it has a telling and literate script, a great rarity these days. In the first of the BBC1 series *Off The Back Of A Lorry* Mike Scott did a nice calm job of showing up the perfidy of the French when the British try to put EC theory into practice and sell flame resistant cloth in France or set up business as auctioneers: free market ideals promptly disappear behind a wall of protectionism.

Increasingly, however, programmes of this sort are shown either at teatime or just after most people have gone to bed. In other words they seem to be moving out towards the margins as the yoof hysteria and associated material move in. We have our video recorders, of course, and we can, or anyway may, set them to capture what we want so that we can play it back when we want. But will we? If television's peak hours fill up with yoof series, embarrassment shows, and Marks & Spencer drama (*Boon*, *London's Burning*, *Civvies* and so on) will it become precisely what the chattering classes always pretended it was: the McDonald's of the mass media? It begins to look distinctly possible, though a successful BBC under a charismatic leader might still save the day.

Against the trend: BBC2's 'The Look' has been thought through and has a literate script

Theatre/**Malcolm Rutherford**

The Dutch Courtesan

Whatever scholars of English literature may tell you, with a few exceptions there is not a lot to be said for Elizabethan/Jacobean drama outside Shakespeare, Jonson and Marlowe. So it is a great pleasure to find such a fine production of John Marston's *The Dutch Courtesan* at the Orange Tree in Richmond.

Marston was not a prolific playwright. He had an Italian mother, was educated at Oxford and wrote a couple of tragedies before turning to a bawdy kind of comedy. *The Dutch Courtesan* was first performed around 1605, early in the reign of King James I. Not long afterwards Marston gave up the stage for the church – possibly because he was in trouble with court censorship. He took up the living in Christchurch, Hampshire and died in 1634.

One of the many merits of this production by Sam Walters is that the bawdy is not played up for its own sake. Another is that there are no gimmicks. The piece is played absolutely straight: costumes more or less of the time and nothing extraneous. It reflects the London of the period, a booming, rather cosmopolitan city with a natural share of knaves, dupes and clever women. It is possibly slightly xenophobic in that the only real villain is the Dutch courtesan. The English villains repent and even the English fools are likeable.

There is no single key character. Indeed there are at least eight parts that anyone remotely qualified would love to play, plus one or two smaller ones like Holofernes Reinscure, the barber's boy, acted here with a wonderfully retarded smile by Vincent Brimble. (Brimble plays other parts as well.)

All the characters have slightly odd names. The bawd is called Mary Faugh. The principal English villain, sometimes masquerading as a Scot, is known simply as Cocledemoy. David Timson looks as if he is thoroughly enjoying himself in this part, but the production never lets the spotlight linger too long on one person.

Anyway it is Cocledemoy's main dupe – a vintner called Mulligrub – who has the best opportunities. Mulligrub loses practically everything, including almost his neck as he finally appears on the gallows. Frank Moorey's performance is a marvellous study in the frustrated rage of a stupid but benevolent man.

The women excel. In the early scenes Amanda Royle's courtesan is devastatingly attractive: butch, gamin, almost no make-up, physically lithe and with an accent that is foreign without being exaggerated. It is a pity that she has to turn so nasty afterwards.

The main English women are educated English roses. There is a theatrical in-joke here that must have seemed obvious at the time. One of them is called Beatrice; however, it is her sister Crispinella who plays very much the role of Beatrice in Shakespeare's *Much Ado About Nothing*. Caroline Gruber as Crispinella looks ravishingly beautiful; Janine Wood as Beatrice altogether more earnest.

Other Shakespearean references will come to mind: the nurse Putifer (Auriol Smith) owes something to *Romeo and Juliet*; the scene with *Mulligrub* in the stocks, and the bumbling inefficiency of the night watchmen. The play is written in a mixture of prose and verse. It is like a Shakespeare comedy without the poetry and ultimately without the magic. It also lacks Ben Jonson's sharpness. But it is still very professional. The prize for putting it together so convincingly must go to Walters.

The Dutch Courtesan, Orange Tree, Richmond, until November 28. (081) 940 3633

Dublin Theatre Festival/**Alannah Hopkin**

'Iceman' worth waiting for

This new version of *Tartuffe* by the young playwright Michael West is the Gate's contribution to the Dublin Theatre Festival. It is a lively and fluent rendering, but the edge of the original is lost by pitching this satire on hypocrisy somewhere between drawing room comedy and farce. Stephen Brennan in the title role is a creepy figure in a badly-hemmed black soutane, his waist encircled by a monster wooden rosary, a whiff of Rasputin about him. His sinister but rather sexy appearance is the only surprise of the evening. Catherine Byrne as Elmire, the object of his lust, is competently regal. Robert Ballagh provides an elegant if rather colourless set featuring classical French windows and statue-filled alcoves. The production is consistently played for laughs, and results a tame, safe evening's theatre with about as much excitement as a television adaptation.

There is nothing tame about the Abbey's Festival offering, the last major opening of a hitherto unspectacular fortnight. *The Iceman Cometh* was well worth waiting for. It is a monster of a play in four acts (with three intervals), but the long haul goes unnoticed in the presence of a truly great production of an essential classic.

The way that Eugene O'Neill creates an existential masterpiece from the ramblings of a crew of drunken has-beens never fails to amaze. John Conklin's sets give us four different views of the bar and backroom of Harry Hope's clapped-out rooming house in dark shades of grey, brown and green, the chairs and tables as tatty and mismatched as their occupants. Michael Philippi's atmospheric lighting adds sudden new dimensions with precisely judged effects.

The cast are largely comatose as they are introduced in the early morning light by the resident "foolosopher", Larry, and the barman Frank. One by one they reveal their obsessive "pipe-dreams" – the alcohol-fuelled illusions that allow them to believe in tomorrow, as they await the arrival of their salesman buddy, Hickey, and the ritual celebration of Harry's birthday.

Hickey's entrance, larger than life in an immaculate pinstripe suit with his dazzling, cajoling salesman's smile, acts like a shot of adrenalin on Harry's somnolent roomers. But Hickey surprises them: he has turned teetotal and found "peace", something that he says they can do too if they will only face up to reality and abandon all "pipe-dreams".

Brian Dennehy who had the role of Hickey in Chicago with the same director, Robert Falls, is physically reminiscent of Billy Graham in his prime, and plays Hickey with the outstretched palms, the sincere facial expressions and the fancy footwork of an evangelical preacher. It is an astonishing performance in that while he is totally convincing on a realistic level in his dealings with "the gang", the audience quickly grasps his evil, destructive intents: Hickey is "the iceman". Only the "foolosopher", Larry, a tight and increasingly harrowing performance by Donald Moffat, sees him for what he is.

Robert Falls has so successfully welded together Irish, English and American actors that it is impossible to tell the difference. The ensemble playing is first rate, as are the majority of the individual performances, notably Sean McGinley who gives dignity and intelligence to the all-important Frank.

If any doubts remain about the judgment of the Abbey's artistic director, Garry Hynes, this memorable production should kill them dead. It is a theatre festival in itself, reminding us of what theatre is – or should be – all about.

Tartuffe, Gate Theatre; The Iceman Cometh, The Abbey Theatre, Dublin

INTERNATIONAL ARTS GUIDE

■ BARCELONA

CONCERTS

Barcelona City Orchestra opens its winter season on Fri with a performance of Beethoven's Missa Solemnis conducted by Garcia Navarro, with the Pro Musica Chorus of London. (repeated on Sat evening and Sun morning). Next week's concerts feature music by Debussy, Stravinsky and Schumann. Guest conductors in November include James Loughran and Alexander Gibson (268 1000)

OPERA

There are three remaining Hungarian National Opera performances at the Liceu: Tomorrow and Sat: Il Lombardi. Fri: double bill including Bartók's Bluebeard. The next production is Anna Bolena, opening on Nov 9 (412 3532)

■ BRUSSELS

● Tonight at 20.00 in the Palais des Beaux Arts, Yehudi Menuhin conducts Camerata Lysy and Yehudi Menuhin School in works by Bach, Mendelssohn, Boccherini and others. Sun afternoon: Alexander Rahbari conducts Belgian Radio Orchestra in works by Milhaud, Saint-Saëns and Dvořák (507 8200)

● Next Tues in the Monnaie: first night of new production of Un ballo in maschera (runs till Nov 15). Oct 30: Thomas Hampson song recital (219 6341)

● The Royal Shakespeare Company visits the Théâtre National next week with The Comedy of Errors, directed by Ian Judge. Daily Oct 27-31 (217 0303)

■ COLOGNE

CONCERTS

In tonight's concert at the Philharmonie, Frans Brüggen conducts Orchestra of the 18th Century and Cologne Bach Society in works by Rameau, Mozart and Haydn, with soprano soloist Cynthia Sieden. Sat: an evening with Peter Ustinov. Sun morning, Mon and Tues: Lutoslawski conducts Lutoslawski. Sun evening: Drottningholm Baroque Ensemble in Bach's B minor Mass. Next Wed: Mikhail Pletnev conducts Russian National Orchestra, with Ivo Pogorelich. Oct 30: Kurt Sanderling conducts Cologne Radio Symphony Orchestra. Oct 31: Dave Brubeck (2801)

OPERA

The repertory at the Opernhaus includes Carmen with Kathleen Kuhlmann (Fri, Sun, next Wed) and Die Zauberflöte (next Fri). A new production of Henze's Der Prinz von Homburg opens on Nov 8 (221 8400)

■ DRESDEN

CONCERTS

Colin Davis conducts the Dresden Staatskapelle tomorrow and Fri in the Semperoper (4842 731). Sat and Sun in Kulturpalast: Milan Horvat conducts the Dresden Philharmonic Orchestra in works by Grieg, Beethoven and Brahms (4866 306)

OPERA

Felicity Lott sings the title role in Hans Hollmann's new production of Arabella tonight and Sat at the Semperoper. Sun: Die Zauberflöte. The repertory for the next two week consists of Cosi fan tutte, Gluck's Orfeo, Le nozze di Figaro, Il barbiere di Siviglia and a ballet triple bill (4842 731)

■ FLORENCE

Teatro Communale 21.00 Sylvain Cambreling conducts an orchestral concert, including Berg's Violin Concerto (Young Uck Kim), Stravinsky's Dumbarton Oaks and Mozart's Symphony No 40. Repeated tomorrow, Sat and Sun. Oct 31: Georges Prêtre conducts the first of four concerts featuring works by Debussy and Brahms (277 9236)

■ THE HAGUE

CONCERTS

Tonight's concert at Dr Anton Philipszaal is given by the Hague Percussion Group, and includes works by Wagenaar and Xenakis. Fri: Tamas Gal conducts Budapest Concert Orchestra and Academic Choir in an all-Mozart programme, including the Requiem. Sun afternoon: Matthias Bamert conducts Netherlands Radio Symphony Orchestra in works by Pfitzner and Bruckner. Mon: Andrei Gavrilov plays Mozart's Piano Concerto No 20 with Netherlands Chamber Orchestra. Oct 31: Edward Downes conducts Hague Philharmonic Orchestra in works by Debussy, Reger and Stravinsky (360 9810)

DANCE

Nederlands Dans Theater will premiere a new ballet by Itzik Galili on Nov 5, as part of a mixed bill of choreographies by Patrizia Tuerlings and Jiri Kylian. The programme will have five performances at Danstheater, before going on tour to Rotterdam, Rijswijk, Amsterdam and Leiden (360 4930)

■ HAMBURG

OPERA/DANCE

A new production of Die Walküre, conducted by Gerd Albrecht and staged by Günter Krämer, opens at the Staatsoper on Sun. The cast includes Gabriele Schnaut, Hanna Schwarz, Hartmut Welker and Kurt Moll (also Oct 28, Nov 5, 15). Sat: John Neumeier's Prokofiev ballet A Cinderella Story. Mon: Don Carlos. Nov 3: revival of Neumeier's production of Nutcracker (351721)

THEATRE

Arie Zinger's new production of Shaw's Heartbreak House opens at the Deutsches Schauspielhaus on Sat. The repertory also includes Lessing's Emilia Galotti, Arthur Miller's Death of a Salesman and Maxim Gorki's Vassa Shelesnova (248713). The repertory at Thalia Theater currently includes George Tabori's Mein Kampf and Jurgen Flimm's new production of King Lear. Fri: an evening with Peter Ustinov. Oct 31: first night of new production of Ariel Dorfman's Death and the Maiden (322666)

■ LEVERKUSEN

FESTIVAL OF BRITISH MUSIC

The festival opens next Mon and is spread over several cities in the German Land of North-Rhine-Westphalia during the next three months. The opening programme (at the Leverkusen Forum on Mon, repeated in Hamm, Witten, Kleve and Dusseldorf over the following week) is given by the West German Sinfonia and features William Sterndale Bennett's overture The Naiads, Vaughan Williams' Oboe Concerto (Gordon Hunt) and the world premiere of a new work by Judith Weir. English Brass Ensemble tours the region in early December, followed by the Nash Ensemble in January (202-563 6803)

■ NEW YORK

THEATRE

● The Best of Forbidden Broadway: tenth anniversary edition of Gerard Alessandrini's long-running, ever-fluctuating musical revue (Theatre East, 211 East 60th St, 838 9090).

● Crazy for You: loosely based on Girl Crazy, which opened in 1930, this show is a celebration of the music of George Gershwin and the lyrics of his brother Ira (Shubert, 225 West 44th St, 239 6200).

● Jelly's Last Jam: the music of Jelly Roll Morton, self-proclaimed inventor of jazz, and an unsparing portrait of the man himself (Virginia, 245 West 52nd St, 239 6200).

● Oba Oba '93: 75 dancers, singers and musicians from Brazil (Marquis, Broadway at 45th St, 307 4100).

● Conversations with My Father: Herb Gardner's bitter-sweet memory play about a Lower East Side bar-keeper, his two sons and the patrons of his tavern (Royale, 242 West 45th St, 239 6200).

● The Secret Garden: a charming musical adaptation of the classic children's story by Frances Hodgson Burnett (St James, 246 West 44th St, 239 6200).

■ STOCKHOLM

Konserthuset This week is devoted to a Baltic Festival, featuring daily performances by artists from Estonia, Latvia and Lithuania. Highlights include Tubin's Third Symphony in a concert tomorrow by the Estonian Symphony Orchestra. Next Tues: Maurizio Pollini. Nov 1-8: festival of music by Swedish composer Daniel Börtz (244130)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Wednesday October 21 1992

A new policy framework

THE BRUTAL exit of sterling from the exchange rate mechanism was a watershed in the history of Mr John Major's government. On the far side lay a determined government pursuing a clear, if increasingly costly, goal. On this side lies a government trying to prevent a series of retreats from turning into a rout. The unfolding disaster can be halted, but only if the government enunciates a new framework for economic policy. That is what it must provide, both for the country and for itself.

Lowering interest rates is not enough. In the absence of a credible framework, even easing that can be justified on its merits would be dangerous. The two interest rate cuts that have occurred since sterling left the ERM have already been judged, reasonably, to be the ploy of petrified politicians, with each cut expected to be the harbinger of another.

Once a British government is judged to be engaged in a monetary U-turn, the currency is likely to be dumped, the bonds that the government has to sell in huge numbers are likely to be spurned, unreasonable wage demands are likely to be conceded and efforts to cut costs are likely to be slackened. In short, everything that has been so painfully gained may be lost.

Yet the obvious alternative – retaining relatively high nominal interest rates – has grown more implausible with each piece of bad economic news. An early return to the ERM might seem to be one way of keeping interest rates up. But it would not prove workable. This is not just because other member countries might prefer not to have the pound back; nor simply because return to the ERM would create a political uproar; nor because interest rates would tend to rise above German levels once more, even though the UK needs still lower interest rates; nor just because the credibility of the ERM has been dented.

It is for all these reasons together. Investors will doubt the desire of the authorities to defend a new parity. They will test it. And it will fail. Such a failure would further damage both the UK's relations with its continental partners and the credibility of its economic policies. Above all, the UK needs the flexibility to lower interest rates. But it will also need to be able to raise them again. This implies the exercise of judgment, precisely what policymakers have shown themselves to lack. This is why the government must offer more than lower interest rates. It needs a policy package.

Thorough investigation

First, it is not good enough for the authorities to pretend that sterling was put into the ERM at the right time and the right rate; that the right policy decisions were taken; and that it was forced to leave by unforeseeable events. What is needed, instead, is a thorough investigation into the decisions associated with the UK's membership of the ERM. How can British government improve if the reasons for failure are not even investigated? More important, the dominance over British government of the notion that the Treasury knows best must be ended. What is needed is an independent central bank, with a properly qualified board of directors, dedicated to the achievement of price stability, subject only to a specific override from the government. What is also needed is discussion of the Treasury's fiscal proposals well before the budget and an explicit balancing of expenditure against revenue.

These are not utopian suggestions. The government should have realised by now that to be responsible for everything is to be blamed for everything. Once the British government loses credibility, all economic policy becomes tainted. But German and US experience shows that this need not happen, if monetary policy is independently managed.

As a first step, the Treasury should put forward a detailed monthly analysis of monetary policy, as does the Bundesbank. The Bank of England should publish its own views independently, thus ending the pretence that all right-thinking people must agree. This would at least throw some light on the cosy coterie of officials and ministers.

These institutional changes are important because the persistent failure of British policies is only partly the failure of a country. It is also the failure of a system of power without transparency or adequate responsibility. Without such changes sharply lower interest rates are bound to look like cutting and running. With such changes, bold policies can be contemplated.

What should these policies consist of? On monetary policy, the chancellor should lower base rate to 6 per cent now. He can justify this decision by reference to the monetary policies that have had to be adopted by other countries plagued by excessive levels of private debt. He can also justify the decision by reference to the length and severity of the present recession and the need to give a boost to confidence.

The alternative to a single cut is a series of smaller ones. That would make less sense since the consequences of each cut cannot be known until long after the next one has been made. Rates should be set, instead, at what seems a reasonable level. Thereafter, the authorities must be prepared to wait and see. For a country that is in recession, but has a significant inflation problem, a base rate that gives positive real rates before tax looks like a reasonable starting point.

With rates of interest down to 6 per cent, increases in interest rates will become credible once more. Such increases could well be needed if sterling were to collapse, wage inflation were to stop falling before it has reached about 4 per cent, or long-term rates of interest were to rise sharply once more. Pay is particularly important. A country that has had a substantial devaluation, but does not orient policy towards the control of pay inflation, is doomed to a self-defeating wage-price spiral.

Lower interest rates

A cut in interest rates to 6 per cent does not preclude return to the ERM and may even make it easier. Over the next year or so, rates of interest in continental Europe are likely to fall. A year from now rates may even have converged. But by then the UK economy should have started to recover. If rates of interest are expected to converge in future, the sterling exchange rate should also retrace some of the ground it may lose now.

The change in monetary policy should be presented as an attempt to rebalance economic policy. The ERM imposed a high exchange rate, an excessively tight monetary policy and an unsustainably loose fiscal policy. That needs to be corrected. The chancellor should, therefore, simultaneously announce a start towards elimination of the structural deficit, partly via tax increases. One option, in the context of sharply lower short-term interest rates, would be the reduction or even elimination of mortgage interest relief, worth some £6bn.

Meanwhile, properly evaluated infrastructure projects should be carried through. These are self-limiting expenditures that must be justifiable in present circumstances. And expenditure restraint should focus on pay rather than jobs in the public sector or on welfare benefits. The danger is that any such package will be viewed as another inflationary U-turn. The government should, therefore, finance as much of its borrowing requirement as possible through index-linked securities. It should also commit itself to raising interest rates once more if inflation stops falling. It must eschew targets for real activity.

There is no good alternative to rebalancing monetary and fiscal policy, combined with a commitment to institutional change. Merely squeezing the economy until inflation is first eliminated will cause unacceptable damage to the economy. But going for growth at all costs would repeat all the mistakes of the past. It is better to organise a retreat than to flee, to seize control over events than respond to them. The ERM policy has failed. The gradualist policy is proving untenable. The government should act across the board, since a piecemeal approach would not work. And it should act now.

A business sings the blues

IBM must sharpen its marketing edge if it is to recover, writes Martin Dickson

Once upon a time, long before the invention of computers, the eager salesmen of fast-growing International Business Machines would gather of a morning to sing uplifting company songs before they hit the road. If the tradition still existed today, they might be chanting laments.

For IBM has just unveiled a dismal set of third-quarter earnings which has shocked Wall Street, sent its share price plunging, and raised new questions over the speed and toughness of the cultural revolution supposedly shaking up the world's largest computer company.

IBM made profits of a mere $86m, or 15 cents a share, from normal operations in the three months from July to September, on revenues of $14.7bn. And after taking special charges for plant closures and early retirement programmes it reported a net loss of $2.78bn.

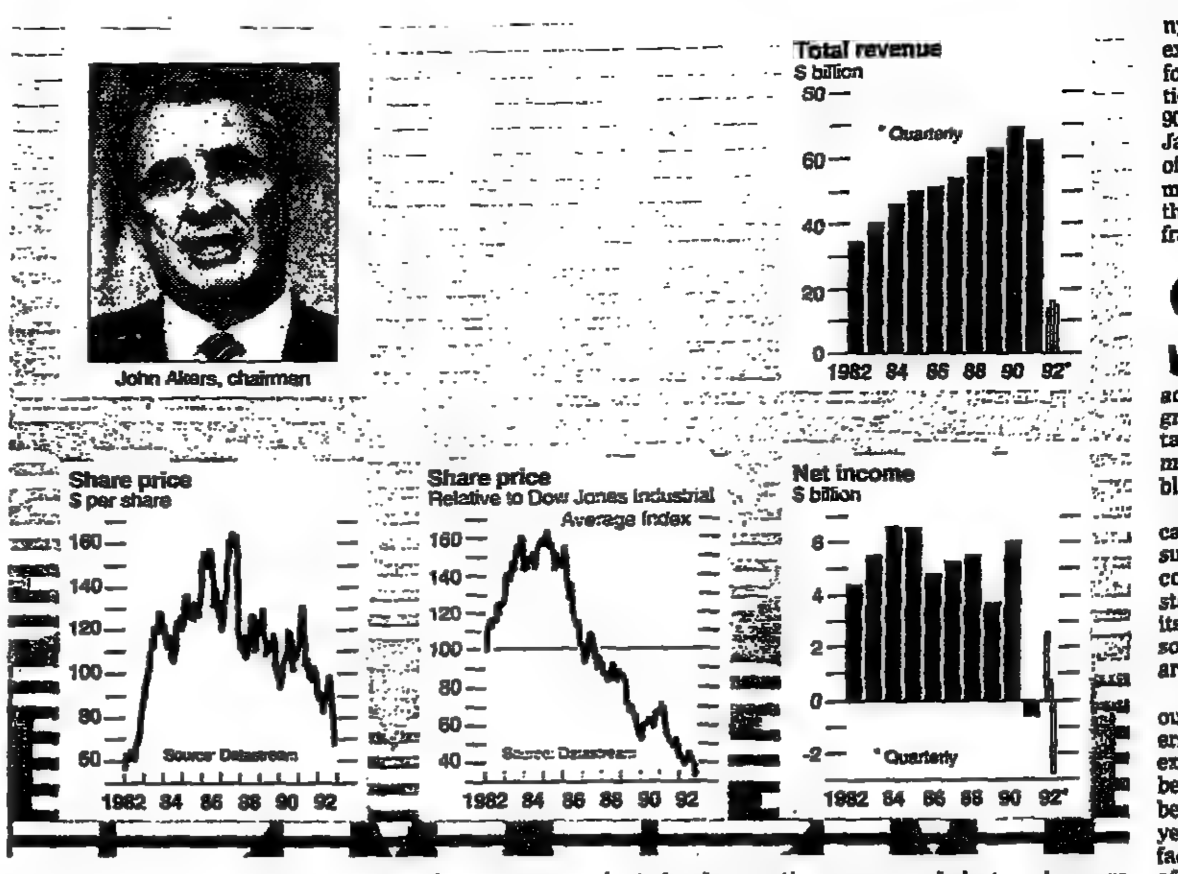
The figures were below the most pessimistic forecasts of Wall Street analysts who immediately scrambled to reduce their estimates of IBM's future profits. They now expect it to report operating earnings of $4.00-$4.50 a share in 1992, compared to previous forecasts of $5-$6, while 1993 has been lowered from $7-$8 to $6-$7.

Even more embarrassing for the company has been the performance of its share price, which has fallen some 12 per cent since last Thursday's earnings announcement to the level of a decade ago.

So great is the market's distrust that once-mighty IBM, the bluest of blue chip companies, is having to deny that it plans to cut its $4.84 a share annual dividend.

Because of the share price drop, the dividend now yields a hefty and very attractive 7 per cent – by far the highest pay-out of any of the companies which make up the Dow Jones Industrial Average and only a little short of the yield on the safest of investments, long-term US government bonds. The dividend seems secure – at least for now. The company says its free cash flow – cash available for distribution to shareholders last year – will be higher than last year's $2.1bn and is expected to cover the dividend, though that is before the cost of an employee buy-out programme and funding for its growing finance business.

IBM: hardware and tear



Even if conditions deteriorated over coming months the company's 14.4 per cent debt to equity ratio on the non-finance side of its business means it could easily borrow to sustain the dividend. That, however, might not help its credit rating, which at present retains the top, triple-A bill of health from the rating agency Standard & Poor's.

IBM would surely pull out all the stops to maintain the dividend. For one thing, the size of the pay-out is helping prop up the company's share price. For another, its public commitment to maintaining the dividend means it could not reverse its position without provoking an even greater loss of investor confidence.

Yet IBM has had a nasty habit of dashing investors' hopes since the mid-1980s with a series of much-trumpeted reorganisations which have failed to improve its financial performance. "The market is simply fatigued with the company," says one observer.

The crucial question for investors now is whether IBM's latest shake-up – its most dramatic yet – can finally produce a sustained improvement in earnings, boosting both the share price and the group's return on equity. The latter has languished in recent years at 15 per cent or less, but the company aims to raise it to 18 per cent by 1994.

In short, is IBM an attractive recovery stock, seriously undervalued, or a flailing bureaucracy, with the wrong product mix, doomed to underperform the market?

The answer depends partly on a factor beyond the company's control: the state of the world economy. The US is growing extremely weakly, while Europe and Asia, which produce more than half the group's revenues, are slowing down.

IBM has blamed part of its third-quarter difficulties on the general downturn in Europe and, more specifically, on the wild gyrations in the region's currencies at the end of September, which should not be a recurrent event. "People just stopped buying things," says Mr Frank Metz, chief financial officer.

Yet IBM's fate depends largely on the long-term impact of the radical shake-up unveiled last December by Mr John Akers, the chairman, and designed to overcome the structural weaknesses revealed by the computer revolution of the 1980s.

IBM, which has always dominated the market for large, mainframe computers (it still accounts for over 60 per cent of global sales) was slow to recognise the implications of micro-processor breakthroughs which greatly enhanced the power of desktop computers and encouraged companies to substitute networks of smaller machines for big, central processing units.

And in an era of extremely rapid technological advance, where personal computer product development cycles can be as little as eight months, its cumbersome, centralised bureaucracy could not respond fast enough to market forces.

It also seriously misjudged the economic outlook, expecting a continuation of its robust sales growth in the 1980s. When the US economy slowed down, it was left saddled with an extremely expensive cost base and a company tradition, dating from the days of the singing salesmen, of no redundancies.

The Akers revolution involves replacing the centralised structure with a looser-knit federation of 13 businesses: nine in manufacturing and four marketing operations serving different regions of the globe.

The idea is to make the operations more entrepreneurial by pushing power down the line. The businesses each have their own financial targets, have more freedom to set their own prices, and compete against rival IBM operations, while pay is being more closely tied to performance.

The strategy also involves shifting the composition of IBM's business, making it less dependent on computer hardware, which as an industry the company expects to grow more slowly over the coming five years than software and services (in other words, providing solutions to computing problems).

Third, the shake-up means sharply cutting IBM's bloated operating expenses. Industry observers say the aim is to cut sales, general and administrative expenses from about 33 per cent of revenues now to about 25 per cent by 1994 through measures such as job cuts and more efficient use of work space.

So far the jury is out on both the cost-cutting and revenue-boosting efforts. The company now expects to shed 40,000 jobs this year through a huge employee buy-out programme, double what it expected at the start of the year. It is the company's largest annual reduction – about 12 per cent of the labour force – and means it has shed some 25 per cent of its workers since 1985.

But some observers fear that the market is facing such severe competition that falling prices could outstrip the impact of this fat-shedding and force IBM into faster, more brutal job cuts.

The problem is that the group's paternalistic tradition eschews forced redundancies. It is one of the most cherished parts of the group's inbred culture, with its laudable emphasis on "respect for the individual". Once a member of the IBM family, always a member.

That policy is already under immense strain. Rival computer companies with similar ideals, such as Digital Equipment, have already been forced to abandon them. And at IBM "no lay-offs" means that formerly high-flying salesmen might find themselves reassigned to much more menial tasks, albeit on their former salaries.

What could prove crucial, but remains unclear, is how much freedom the 13 new entrepreneurial businesses will be given to set their own staffing levels. A recent internal company memo suggests they have been given greater powers to recommend job cuts, though these would still have to be approved by the group's four-person management committee.

And the immediate outlook on the sales side of the picture is far from bright, because of industry-wide weak demand and excess manufacturing capacity which is putting severe pressure on prices. It is reckoned that IBM's gross profit margins on sales have dropped from 57 per cent three years ago to about 44 per cent now, and may fall to 40 per cent next year.

In mainframes, still the company's bread and butter, IBM is now expecting a small drop in revenues for the year, despite the introduction in 1991 of its important new ES 9000 range, and rivals Hitachi of Japan and Amdahl of the US are offering buyers huge discounts. A much larger question hangs over the long-term future of the mainframe business.

Some analysts argue that the global trend away from mainframes and towards smaller, cheaper networked systems will accelerate and simply erode the group's revenue base. Others maintain that the market for big machines will grow for the foreseeable future, albeit at a slow pace.

IBM's hardware product range can boast some some significant successes, such as its AS-400 mini-computers, which have been steadily gaining market share, and its RS/6000 work stations, and its software and services businesses are enjoying good growth.

But it still has particularly serious problems in personal computers, where barriers to entry are now extremely low and products have become commodity items. IBM has been hammered over the past two years by much fast-moving manufacturers such as Dell Computer, offering inexpensive machines through innovative sales channels.

IBM sales in the US have fallen sharply, in part because of its relatively high prices and partly because buyers were waiting for an important roll-out of new IBM products this autumn. Personal computers accounted for two-thirds of the company's 6 percentage point drop in hardware gross profit margins during the third quarter.

Yet IBM is now fighting back. Last month, as part of the entrepreneurial restructuring, it separated IBM PC from the rest of its personal systems business. The idea is for the $7bn turnover company to be as flexible and aggressive as its rivals.

After a flurry of product launches in September, it yesterday rolled out some particularly important offerings in the market for low-cost personal computers, which it is calling ValuePoint.

Customer reactions to these products in the final quarter of this year and the first half of next will provide an important indicator as to whether IBM really is becoming entrepreneurial or finding it impossibly hard to break free of its encrusted corporate culture.

If it proves it can, the potential for profits growth over the medium term could be substantial.

But success is far from certain. Above all, IBM needs to show that it has relearned the lesson which made it successful all those years ago, in the age of the singing salesmen – razor-sharp marketing.

Brussels' green sprouts

Environment policy is unlikely to fall victim to European decentralisation, writes David Gardner

Reports of the death of the European Community's environment policy – supposedly rolled back and crushed by Europe's new enthusiasm for "subsidiarity" or decentralised decision-making – look premature.

Yesterday's meeting of EC environment ministers kicked off discussion on the European Commission's green strategy for 1990s – a programme dubbed "Towards Sustainability". Ministers also decided waste for disposal was not an ordinary tradeable good, and referred the new right to ban waste imports to the environmental articles of the EC treaty, rather than those on the internal market and trade. This was a rare instance of environment needs taking precedence over the free circulation of goods within the EC's single market.

The environment council was the first since Danish voters shook the EC to its foundations by rejecting the Maastricht treaty in June. It was also the first since the flamboyant Carlo Ripa di Meana's departure as environment commissioner at the end of the same month, amid rumblings of a bonfire of the nearly 200 pieces of EC environment law enacted in the past two decades.

Mr Ripa di Meana's successor, Mr Karel Van Miert, says he still fears the environment could be made "the sacrificial lamb" in the power struggle between Brussels and the member states about reining in EC decision-making. But there are at least four persuasive reasons to suggest environment policy will be rebalanced rather than gutted:

- When EC leaders are desperately trying to recapture public support for European integration, it would be politically unwise to start by junking a policy which commands overwhelming public support. The evidence suggests EC citizens look to Europe to protect their environment from pollution and degradation. So far this year Europeans have registered more than 500 complaints with Brussels, against 350 in all of last year. "It has been a successful policy and perceived as such, and therefore it should be pursued," Mr Van Miert insists.
- The environment is a policy area especially well-suited to a cross-frontier approach. The greener-than-thou Nordic and Alpine countries – first in the queue to join the Community – will strongly reinforce such an approach. The still nebulous subsidiarity principle, suggesting the EC should act only when supranational decisions are more appropriate than national or local action, could have been invented for the environment.
- All member states to some degree recognise that if the EC does not maintain a common environmental policy, standards will diverge between the richer north and poorer south. Non-tariff barriers to trade will creep into the single market, holding up the free flow of goods. Companies will be enveloped in multiple layers of national law, instead of common standards.
- The three countries most bruised by the debate over Maastricht – Denmark, the UK, and France – all back an EC environment policy.

Indeed, Danish voters want more Community involvement; their fear that the EC would dilute their high environmental standards was part of the anti-treaty backlash. France, for its part, largely forced yesterday's decision on waste imports, and its Socialist government faces not only defeat by the centre-right in next spring's elections, but erosion from the green parties.

The British government currently holds the EC presidency (to be succeeded in January by Denmark). It wants the "Towards Sustainability" programme approved by December, and a "greening" of other EC policies from transport to energy. More intrusively, the UK also supports the formation of an EC "green police", a Community inspectorate to assure national enforcement of common standards.

One way Mr Van Miert wants to diffuse the subsidiarity controversy is by placing greater onus on national courts to enforce implementation of EC law, removing the Commission from the firing line as a sort of court of appeal. Rows over implementation of EC law obscure the fact that only three cases of environment legislation have not been agreed unanimously by the 12.

None the less, the rising cost of environmental standards during recession is posing a real threat to Europe's green dimension.

Market instruments loom large in the Commission's programme for the 1990s. These range from the expensive energy tax to limit the carbon dioxide emissions which cause global warming, to the EC "Eco-label" endorsing environment-friendly goods.

Mr Van Miert points out that the energy tax proposal is full of safeguards for energy intensive industries. He recognises the difficult economic climate but says: "As far as I know there is no alternative."

Mr Jacques Delors, the Commission president, is expected to tear up 10 to 20 "unjustified" Brussels proposals at December's EC summit in Edinburgh. If the energy tax were among them, the EC's green lobby would rightly think the tide had turned against them.

But Mr Delors himself believes the jobs and growth of the future lie in developing energy-efficient, environmentally-friendly technology and production – an argument passionately advanced by Mr Van Miert. "It would be counter-productive at the end of the day to use cost as an argument for standing still. That will not get us expansion in the long run."

Edward Mortimer

Blind eye to the Balkans

Unless the west finds the will for stronger action, Serbian gains are likely to be legitimised

FOREIGN AFFAIRS

Back in August, the horror of Yugoslavia seemed to overshadow the whole European scene. The European Community's inability to stop it was widely adduced as one of the reasons for the general disillusionment with European union, reflected in the rise of the No camp in the French referendum campaign.

In Britain, the situation in Bosnia was given as the official reason why Mr John Major interrupted his holiday in Spain, returning to London for a special cabinet meeting. People in the Foreign Office actually worried that public opinion might force their political masters into military intervention against their better judgment. (Well, against their judgment, anyway.)

Those days seem far away. How Mr Major must wish that pressure to intervene in Bosnia was the only public opinion he had to worry about. The EC in general, and its British president in particular, have given such ample proof of their inability to control events much nearer home that their impotence in Yugoslavia is no longer noticed.

The inattentive newspaper reader might almost imagine that the fighting had at last died down, or even that the London conference, with its Geneva follow-up, had succeeded. But the attentive radio listener will have picked up increasingly desperate complaints from UN officials about the slowness of the relief operation and the probability, rapidly hardening into certainty, that thousands of children will die of cold and hunger in Sarajevo this winter.

The inhabitants of Sarajevo are mostly still without power, water or telephone links. Power was restored to hospitals and the bakery on Sunday, but the shelling of the flour mill on the same day meant that by Monday night the bakery had nothing left to bake.

The news is confusing. Early on Monday morning there was something like a dress rehearsal for a coup in Belgrade against Yugoslav president Dobrica Cosic, who on Friday had called for the resignation of Serbian president Slobodan Milosevic. Serbian police loyal to Mr Milosevic seized control of the federal interior Ministry. Senior army commanders are said to be loyal to Mr Cosic. A showdown between him and Mr Milosevic, his one-time ally, may well be imminent.

On Monday night in Geneva Mr Cosic reached agreement with the Bosnian president, Mr Alija Izetbegovic, on a thoroughly sensible solution to the Bosnian conflict: the siege of Sarajevo would be lifted; the city demilitarised; the paramilitary units disbanded; and Bosnia and Yugoslavia would recognise each other, the former adopting a decentralised constitution but not being divided into ethnically pure cantons. On the contrary, "ethnic cleansing" would be reversed and refugees allowed to return to their homes.

Praying for peace: Bosnian at the grave of fellow solider

The trouble is that the two men are contested leaders of highly problematic states. Mr Izetbegovic's Bosnia-Hercegovina is recognised by the international community but his real authority extends at best to Sarajevo itself and the remaining Moslem-held enclaves. His Serb adversaries, of course, ignore his authority but so in practice do his nominal Croat allies, who take their orders from Zagreb.

A larger UN force must be given an explicit mandate to fight its way through if it encounters resistance

Mr Cosic's Yugoslavia, composed of Serbia and Montenegro, was invented in the spring in an attempt by Serbia to claim continuity with the old Yugoslav federation and so win international legitimacy. In this it has so far failed. Mr Cosic officially disclaims any role for his country in the Bosnian fighting, promising only to press the Bosnian Serbs to comply with earlier agreements. Whether this new agreement turns out to mean anything more than previous ones depends first on the power struggle within Serbia and secondly on the degree of leverage the winner of that struggle can exert over the Bosnian Serbs.

Meanwhile, there have been ominous stirrings in Kosovo, long identified as the probable next theatre of war. This struggle would pit the Serbian government against the local Albanian majority, now set on separatism and likely to be supported by its kith and kin both in Albania proper and in neighbouring Macedonia. In the most alarming scenario this would lead to a full internationalisation of the conflict, with Bulgaria and even Greece being drawn in.

Faced with such complexities, and preoccupied with its own problems, western Europe is inclined to leave Yugoslavia to Lord Owen and Mr Cyrus Vance to sort out. But however great the political and diplomatic skills of those two gentlemen, they can do little other than negotiate a gradual acceptance of what force has achieved, unless the international community provides countervailing force on the other side. It is splendid that Mr Cosic has agreed to the reversal of ethnic cleansing and the return of refugees to their homes, but does anyone seriously imagine the local Serb militia will permit this unless forced to do so? What we shall see in practice is the consolidation of the Serb *fait accompli*, unless external powers have the will to impose a Serb retreat.

The right way to deal with Mr Cosic is surely to take him at his word. He and his prime minister, Mr Milan Panic, say Yugoslavia is not a party to the war in Bosnia, and that it is willing to observe human and minority rights in Kosovo as defined by the Conference on Security and Co-operation in Europe (CSCE). Mr Panic has repeatedly asked for international observers on the Yugoslav side of the borders with Bosnia and Albania, and at Yugoslav air bases; and for monitors to verify the treatment of Albanians in Kosovo. Why does the UN not respond to this request, if only to test the reality of Mr Panic's authority? If Serbia co-operates with such missions, the sanctions could be lifted – which would greatly increase Mr Panic's prestige and strengthen his position *vis-à-vis* Mr Milosevic. If not, the sanctions would have to be maintained, and more seriously enforced.

Within Bosnia, the UN must take swifter and more forceful action to ensure that supplies reach the beleaguered population, not only in Sarajevo but in Bihac and the other enclaves. That does mean a larger UN force, not confined by an artificial neutrality but explicitly mandated to fight its way through if it encounters resistance. No more time should be wasted securing undertakings from Mr Radovan Karadzic, the Bosnian Serb leader, which experience has shown are invariably ignored by his forces on the ground. The no-fly zone should be enforced, and UN troops should be provided with air cover from Nato countries if they come under artillery fire. Above all, the Bosnians should be allowed weapons to defend themselves and their homes.

Otherwise, if it is demonstrated that such problems can be "solved" by imposed transfers of population, two consequences will follow. First, other states in central and eastern Europe will resort to the same methods. Romania and Slovakia will be tempted to expel their Hungarians, Estonia and Latvia their Russians and so on, until the states receiving the flows of refugees resort in their turn to force and send troops across the frontier. Second, the Bosnian Moslems will become the Palestinians of Europe, probably resorting to terrorism and in any case acting as the focus of anti-European feeling throughout the Moslem world, where it is already believed that Europe has acquiesced in their fate because it does not wish to have a Moslem state on European soil.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Competition not all in electricity

From Dr Simon Taylor.

Sir, Your editorial, "Mr Major's medium term" (October 19), again refers to an "inadequately competitive electricity industry". The implication that competition solves all is perhaps a little optimistic.

While nobody could plausibly claim that the generation industry structure is optimal, the market power of National Power and PowerGen has been used on the fuel purchasing side to reduce variable costs. In future the companies will use their scale to drive a good bargain over imported coal. So long as these economies are mostly passed on to consumers, which Offer's continuing monitoring will ensure, then the end user is arguably better off than in an industry with several smaller generators.

More generally, the experience of the privatised and (partially) deregulated electricity industry seems to suggest that the system is highly effective in what one might call *static* efficiency terms, that is reduced costs and optimising plant availability, given the existing plant structure.

Where it is rather less successful is in *dynamic* efficiency – the planning of new plants in future. The market is not a particularly good instrument for making co-ordinated decisions in an industry with 15-year time horizons, environmental constraints, government intervention (nuclear power), and where the costs of getting it wrong have macro-economic consequences.

There are limits to what one can expect from a market-based system when it has to operate so tightly constrained by political considerations.

Simon Taylor,
fellow in economics,
St Catherine's College,
Cambridge CB2 1RL

CNN business programme

From Mr Piper Parry.

Sir, I would like to clarify Raymond Snoddy's piece referring to World Business Today, the daily business programme broadcast on CNN International (October 9). As the article states, at the end of this year, by mutual agreement, CNN Business News and Financial Times Television will no longer jointly produce World Business Today. However, the article does not make clear that CNN International will assume sole responsibility for the programme and it will continue to be aired.

Piper Parry,
vice-president corporate communications,
International Turner Broadcasting,
19-22 Rathbone Place,
London W1P 1DF

A strategy for UK that may not be ideal, but is best alternative

From Mr Christopher Haskins.

Sir, Your leader, "A government on the run" (October 20), eloquently exposes the haplessness of the government's position and proclaims the need for an overall economic strategy.

But what strategy? Like many of us, you supported membership of the ERM. This failed because Britain's economy, as well as its political leaders, were weaker than we had thought. Now we are heading for depression or slump. A *radical* new strategy is required which should be along the following lines:

- a rejection of Thatcherite economics, whether practised by Lord Howe or Lawson;
- a rapid reduction of interest rates towards the rate of inflation;
- the maintenance, if not expansion, of public sector capital programmes;
- a freeze on public sector wages;
- a target of no more than 2 per cent increases for private sector wages.

This approach might well lead to a further weakening of sterling, with serious inflationary consequences. To counter this, the government must be prepared to restore personal taxes to the pre-1988 levels in order to help finance the public sector borrowing. It must also return to a policy of industrial consensus, by sitting down with business and union leaders and agreeing a common approach on wage restraint and the protections of jobs.

Positively, these policies will have several immediate benefits:

- the reduction in interest rates will ease the discomfort of heavily borrowed house owners;
- the reduction will encourage industry to invest and create employment;
- the weakened currency will create opportunities both for exporters and for companies such as my own to tackle import substitution;
- in the short term the rising trend in unemployment will inhibit inflationary wage settlements.

These are not ideal policies and are certainly difficult for a Conservative government to adopt, but in the prevailing atmosphere of despair and uncertainty there does not appear to be a coherent alternative approach.

Christopher Haskins,
chairman,
Northern Foods,
Beverley House,
St Stephen's Square,
Hull,
E Yorkshire HU1 2XG

Intervention needed in construction

From Mr Allan F Collins.

Sir, I have been reading with growing despair the projections and assessments made for the construction sector in your newspaper.

The situation may be even more serious than most commentators realise. The points that are regularly overlooked are the leading roles played by the specialist engineering subcontractors and the levels of liability imposed on them by the rest of the construction industry.

The construction site of today is run by a small management team, the site skills belong to the sub-contract specialists. Clients should be aware that these "providers" are close to collapse.

Using the "plastic mac" theory clients and contractors pass down onerous warranties. These are being signed by companies which are unlikely to survive as recent receiverships prove. Far better properly to select the specialist and pay a fair rate for the work, thereby protecting the future integrity of the warranty.

The president of the Board of Trade has confirmed his interventionist tendency; for the ranks of construction specialists he may be too late. We urgently need intervention to promote activity. This could be by reintroducing 100 per cent capital allowances on new industrial buildings, action on the infrastructure programme and help to building materials suppliers with export potential.

Allan F Collins,
president,
British Constructional Steelwork Association,
4 Whitehall Court,
London SW1A 2ES

Economy that is in need of unorthodox remedies

From Mr Christopher Dow.

Sir, I write out of increasing concern at the economic state of the country. Day by day it seems clearer that the prospect before us is not economic recovery, but indefinite, perhaps deepening, recession. So far the government has hoped that the problem would go away, that recovery would come of its own accord and that it would not itself be called on seriously to act. But now, it seems, all of us – government and people – face a new situation. Increasing numbers face the debasement of forced idleness, the hardship of relative poverty and sometimes, it needs to be recognised, hunger. This trend can be, and should be, reversed.

It is possible that there will be further reductions of interest rates. But that cannot, I think, prove to be enough. European interest rates are likely to come down only slowly. That means we cannot go far without undermining the exchange rate, and accelerating inflation to a prohibitive degree. Second, low interest rates alone, as experience shows, are unable to revive a demoralised economy.

I would therefore raise the question whether remedies now unorthodox and out of fashion should be seriously considered. As examples of the kind of measures I have in mind, temporary tax reliefs (to be reversed later) might be made as an immediate step; and plans might be prepared for a large increase in infrastructure investment, sufficient to add 1 or 2 per cent to GDP. The mere announcement of such a policy would do good.

Many will call this approach "jump-starting the economy" (which is what it needs) or Keynesian (which is also true); and monetarists will deplore it. (But where has that thinking got us?) The important question is whether it would work. The arguments against it are untested and ideological; none is enough to rule it out for use at times when most needed. Now, I suggest, is one of them. There is no doubt that if we were to be involved in even a moderate war, there would be full employment within a short while. I am not of course saying that we want war. But there are many things we do want such as better roads, better railways and better cities, where we are progressively falling below European standards. This would equally create employment.

I am well aware that there are questions about financing. I would advocate doing everything to reduce the charge on the public budget by choosing mixed public/private investment programmes, of which toll roads are one example. Planning would be flexible, capable of maintaining, if needed, a large expenditure for several years; or, if not, capable of being tapered off. As and when the economy recovered, the public finances would benefit from a restored tax base.

I cannot go into detail, but confine myself to urging the need for a new approach, and for arguing its general practicality. I feel confident that, undertaken boldly, such a plan – which is not out of line with what other countries do – would be effective. I am confident, too, that if properly presented, most of the electorate would welcome it with relief and gratitude.

Christopher Dow,
The Reform Club,
London SW1

OBSERVER

Picking a new president

■ Among the many European decisions that John Major has to make over the next few months, picking the next president of the European Investment Bank is unlikely to be high on his agenda. But it would be a pity if the job falls into the hands of another faceless bureaucrat.

After all, it is not every year that Britain gets to choose the boss of a leading international financial institution. And since an Italian, Frenchman and a German have done the EIB job, it is about time that the controls of the biggest borrower in the Euromarkets were handed over to someone who knows what it's like to be heavily in debt.

Ernst-Günther Bröder, who took over the EIB presidency from Yves Le Portz in 1984, has turned 65 and wants to go as soon as a successor is found. The front-runner is Sir Brian Unwin, 57, chairman of Britain's Customs and Excise. He's worked in the Foreign Office and the Treasury, but he doesn't have Bröder's private-sector experience.

No doubt he is an excellent administrator but perhaps the EIB could do with someone with a bit more charisma. The Americans picked one of their best bankers, J P Morgan's Lew Preston, to head the World Bank, and the French chose a man of ideas, Jacques Attali, to run the EBRD.

How about ex-Labour leader Neil Kinnock? It would be a nice consolation prize for not getting the EC commissioner's job and he would certainly raise the EIB's profile.

Nerves of steel

■ It takes quite a lot to disturb the semi-retired former shadow foreign secretary, Gerald Kaufman, these days. Nonetheless, Michael Heseltine has pricked him into action. In his desperate efforts to repair the damage of the biggest industrial U-turn in decades, the president of the Board of Trade has contrasted his flexible behaviour with the iniquitousness of Labour at the time of the 1979 shutdown of British Steel's Corby mill.

Why hadn't Labour done something to help the victims of that decision? asked Hezza.

Kaufman, who was Labour's industry minister in 1979, notes that his party lost power in May that year, and Corby wasn't shut down until November.

He's awaiting an apology.

Bankers' lore

■ It's hard to better a banker when it comes to putting a cheerful gloss on bad news.

Hence yesterday's press release from Nomura, announcing 50 job losses, was headed "Nomura makes strategic adjustments". Someone answering to the name Kafka was handling the matter.

Meanwhile, a colleague has just received the following letter from his NatWest bank manager: "The Bank has recently completed a study of its representation locally with a view to improving the quality of service offered to all its customers in Bexleyheath.

As a result, it has been decided to close this branch on November 13 and merge the business with our Bexleyheath Clock Tower branch..."

How do, pardner?

■ A puff of white smoke from the boardroom of Goldman Sachs and one of Wall Street's most discreet competitions has been decided.

Every two years the world's most profitable private investment bank anoints another clutch of multi-millionaire partners and the latest batch has just been announced.

"Good news – we're being moved to the stay of execution block"

How the 123-year-old partnership chooses its partners is one of Wall Street's best-kept secrets. Gavyn Davies, the ubiquitous London economist whose wife has gone to work for shadow chancellor Gordon Brown, is a partner, as is his side-kick and fellow-economist, David Morrison.

But Bob Hormats, vice chairman of Goldman Sachs International and an even bigger figure on the *international policy circuit, is not.*

The current crop of 35 new partners includes a son and a *nephew of John Weinberg, the* firm's senior chairman, and two women. But beyond that, the firm is rather shy about disclosing the age, colour and nationality of its new partners – who can probably expect to make between $2m and $4m a year after they have bought their way in.

And if they reach the top they can make megabucks. It has been reported, for example, that Robert Rubin and Stephen Friedman, the bank's two co-chairmen, earned more than $15m apiece last year.

Once upon a time there was a 50:50 chance that a hard-working young banker would become a Goldman partner. Now the firm has 7,000 staff and just 167 general partners.

By contrast *S G Warburg*, which earns less than a third of Goldman's estimated $1bn plus a year, has over 300 directors and a mere 5,000 staff.

Turmoil analysis

■ Having difficulty getting in touch with your favourite investment analyst?

Don't despair. Ring Paris. Likely as not he or she will be attending this week's biennial congress of the European Federation of Financial Analysts' Societies.

The last time the French hosted the event was bang in the middle of a financial crisis – the 1974 oil shock. This time the turmoil on the foreign exchange markets has pushed French short-term interest rates up to crisis levels.

However, Jean-Guy de Wael, EFAS chairman and Paribas' research supremo, denies that Paris is jinxed as a site for such gatherings.

He's confident that more than 700 of Europe's 10,000 analysts will *put in an appearance, including* a contingent from Hungary, the first east European nation to be *admitted to membership of the* federation.

After all, what self-respecting analyst would turn down the chance of sitting through presentations by 33 of the 40 constituent companies of the CAC 40 stock market index.

Dear me

■ As the hunting season opens in Colorado, "game processing stations" are touting for business.

One, near Pagosa Springs, is called The Buck Stops Here.

FINANCIAL TIMES
Wednesday October 21 1992

Environment ministers agree right to ban imports of hazardous material

EC deal on toxic waste disposal

By David Gardner in Luxembourg

EUROPEAN Community environment ministers yesterday decided that member states will *have the right to ban imports of* hazardous waste for disposal, opening up an agreement to regulate trade in toxic waste after two *years of hard negotiating.*

The agreement in principle was made possible after the European Commission took the rare step of changing the legal basis of the regulation from the internal market and trade provisions in the EC treaty to its environment clauses.

The legal switch established that the environment took precedence over the free circulation of goods demanded by the single market, in what Mr Karel Van Miert, EC environment commissioner, said was "a unique case". Non-radioactive toxic waste had hitherto been characterised by European Court jurisprudence as *a tradeable good.*

Ms Segolene Royal, the French environment minister, whose hard line on waste imports precipitated the change, hailed yesterday's decision as "one of the applications of the Maastricht treaty, which states that the environment takes precedence over commercial policy".

The regulation, which should come into effect in September 1994, reinforces the principle that waste should be dealt with as close as possible to the point of production.

National self-sufficiency in disposing of waste is the goal, but the regulation also establishes *the notion of supranational waste* disposal regions to accommodate small countries such as Luxembourg and Southern Ireland, *which can export by agreement* with their neighbours, as they generate insufficient waste to dispose of economically at home.

Mr Van Miert is fighting hard inside the Commission to ensure that environment policy does not become a casualty of subsidiarity. Commission president Jacques Delors' draft proposals on subsidiarity give top priority to environment policy dictated by the need to flatten trade barriers in the internal market, downgrading other green standards. Yesterday's decision inverted these priorities, even though all member states agreed toxic waste was not a normal commercial good.

The regulation imposes a total ban on exporting waste for disposal, except to Community countries and European Free Trade Association signatories of the Basle Convention governing trade in hazardous waste, which the EC can now ratify.

● Ministers also agreed to propose controls on a chemical believed to eat the ozone layer faster than other substances the world is already trying to eliminate, Reuter reports.

They want methyl bromide, used against insects, listed under the Montreal Convention on protection of the ozone layer.

Brussels' green sprouts, Page 12

Suspension leaves Sarajevo airlift as only supply route

Attacks halt aid convoys to Bosnia

By Frances Williams in Geneva

THE United Nations refugee agency said yesterday that it had been forced to suspend relief convoys along the only all-weather road into Bosnia because uncontrolled "warlords" were deliberately targeting aid trucks.

The suspension leaves the Sarajevo airlift as the only means of transporting humanitarian supplies to the Bosnian capital and central Bosnia-Hercegovina, where more than 750,000 people face starvation and freezing temperatures this winter.

Mrs Sadako Ogata, UN high commissioner for refugees, said the shelling of two convoys on the Mostar-Sarajevo road last Friday was yet another example of the failure of the parties to the conflict to live up to their commitments.

UNHCR officials said they needed to provide an estimated 9,230 tonnes of food and other supplies to 1.6m Bosnians each week throughout the winter. Last week it delivered just 1,130 tonnes.

Mr Cedric Thornberry, director of civil affairs with the UN protection force (Unprofor) in ex-Yugoslavia, said in Geneva yesterday that the situation in Bosnia was "becoming quite desperate, with hundreds of thousands of people displaced from their homes, many of them wandering the roads and trying to survive in the hills".

"One wonders even now whether the world has quite appreciated the dimension of the catastrophe that may be going to overcome that country," he said.

General Satish Nambiar, the Unprofor commander, said the extra 6,000 or so UN troops promised to escort aid convoys and open roads would be deployed by mid-November.

Despite the anarchy in Bosnia, with armed gangs answerable to nobody operating alongside organised forces of the three factions, Mr Cyrus Vance and Lord Owen, co-chairmen of the Geneva conference on ex-Yugoslavia, feel some progress is being made in the political talks in Geneva.

On Monday, Mr Alija Izetbegovic, the Bosnian president, held a first face-to-face meeting with President Dobrica Cosic of the Federal Republic of Yugoslavia, at which they agreed to work towards mutual recognition of their two countries and a cessation of hostilities in Bosnia.

Yesterday Mr Izetbegovic and, later, Mr Cosic met President Franco Tudjman of Croatia.

● A US mobile hospital with 236 doctors, nurses and staff is moving to Zagreb to treat United Nations protection forces in former Yugoslavia, the Defence Department said yesterday. The hospital was expected to be in operation on November 15.

Blind eye to Balkans, Page 13

A convoy carrying supplies for United Nations headquarters in Sarajevo passes through Belgrade

Japanese faction battles to pick leader

By Robert Thomson in Tokyo

HOLED UP in Tokyo hotel rooms, with limousines waiting to rush them to the next closeted gathering, the senior members of the largest faction of Japan's ruling Liberal Democratic party are playing the complex game of consensus.

For the past week, the 109 members of the faction formerly run by the disgraced "godfather" Mr Shin Kanemaru, have attempted to pick a new chairman, a task made difficult because the faction is itself faction-ridden.

Today is supposed to be deadline day, but the leading candidates have modestly denied that they are candidates, and their supporters have denied that there is division, while then accusing their opponents of not honouring an LDP agreement to exercise "factional restraint".

The unseemly squabble is dominating the newspapers and the television news. Yesterday it prompted Mr Kiichi Miyazawa, the prime minister, whose own future depends on the outcome, to encourage the three cabinet ministers involved to devote more time to their portfolios.

Status in the faction, often called the Takeshita faction after former prime minister Mr Noboru Takeshita, is generally based on a simple calculation of *how many times a politician has* been elected to the parliament. It is a hierarchy much like that in the kitchen of the average Japanese sushi restaurant.

Before slicing the fish, the aspiring sushi master must spend about five years, bucket in hand, swabbing the floor and soaping the sushi bench at the end of the night. LDP members, regardless of speaking skills or political vision, are expected to wait patiently in line as they move slowly through the faction and the party.

Much of the argument has been among two and three-term members of the faction being courted by the candidates, each of whom has been elected at least eight times.

The two-term faction members have set up camp in a hotel room, as have the three-termers, *while the four-to-six-termers* have convened meetings of their *Isshin-kai*, the "one heart" group, as well as holding separate gatherings.

The three leading contenders are Mr Ichiro Ozawa, a former LDP secretary-general and the preferred choice of Mr Kanemaru; Mr Keizo Obuchi, also a former LDP secretary-general; and Mr Tsutomu Hata, the finance minister, and the likely compromise chairman if the Obuchi and Ozawa factions cannot reach a consensus.

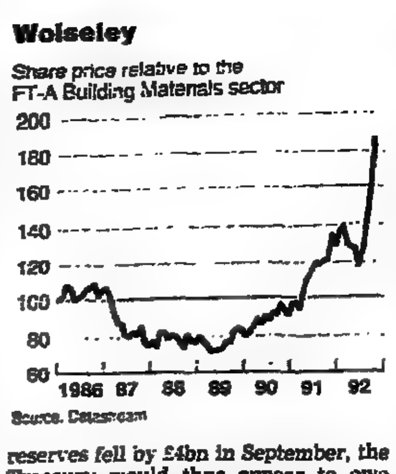
There is a danger that the Takeshita *faction will split* if Mr Obuchi and his supporters suspect that Mr Ozawa has taken permanent control, leaving them dependent on his goodwill for their future ministerial appointments.

After six terms, an MP can justifiably expect a ministerial job, preferably one providing corporate contacts able to provide the funds to cultivate a personal network of younger faction members.

THE LEX COLUMN

Small mercies

FT-SE Index: 2617.0 (+54.8)



There can no longer be any doubt that the Bundesbank is interested in an easier policy. Yesterday's switch to a variable rate tender system for money market liquidity was accompanied by scarcely-veiled hints that it wants to nudge short-term rates down a further notch. Events in the real economy certainly provide some motivation despite double digit money supply growth. The Bundesbank must know that recession in west Germany would make it even harder to bail out the east. The risk is that outsiders – including UK equity investors – will jump to the erroneous conclusion that speedy official rate cuts are imminent.

The Bundesbank has not entirely recovered from the way it was manipulated into cutting its Lombard rate last month. For the time being it does not want to be seen to be taking the initiative by lowering official rates. Admittedly the anticipation of lower rates next year may continue to weaken the D-Mark, adding to the scope for non-inflationary rate cuts in the UK and elsewhere. Yet, one wonders whether the prospect of another 10 to 15 basis points off German money market rates warranted yesterday's 54.8 jump in the FT-SE.

Talk of steep cuts in UK rates has, after all, been around for some time. But it has been inspired by the dismal outlook for growth, underlined again yesterday by the £700m September drop in bank lending. Recovery prospects also depend heavily on how far the authorities avoid offsetting lower rates with tighter fiscal policy. Insofar as the Bundesbank's stance underpins sterling, it will make a large PSBR that much easier to finance with overseas money.

UK borrowing

The original objective behind the government's foreign currency borrowing programme announced in September – the defence of sterling within the ERM – has long since been abandoned. Still, there are compelling reasons for yesterday's DM5.5bn bond issue. The Bundesbank has to be repaid for its intervention before long. Buying that many D-Marks in the market would be risky. Besides, the intervention would then no longer count towards PSBR funding – a promise in which the gilts market has invested a great deal of faith.

September's money supply figures tend to confirm market estimates of intervention in the region of £12bn-£15bn. Since UK foreign exchange reserves fell by £4bn in September, the Treasury would thus appear to owe around £8bn to foreign central banks – the Bundesbank chief among them.

Little wonder the Treasury was eager to jump the queue of sovereign borrowers waiting to take advantage of exceptional demand for DM bonds. The UK is paying a fractionally lower interest rate on its five-year issue than in the gilts market. A longer maturity would have resulted in greater relative saving to the government. But it obviously lacks the courage to take a long-term bet on the performance of sterling against the D-Mark.

Greenalls

Since Greenalls has no large acquisition to finance, coming to the market under current volatile conditions is a little strange. Indeed, the need to tread gingerly is highlighted by the way its modest one-for-five rights issue is pitched at an 18 per cent discount to Monday's closing price. Perhaps the company was unwilling to see gearing rise further and so felt constrained in its piecemeal pub purchase programme. Or the deal may have as much to do with restoring interest cover to a more comfortable 3.5 times as it has with providing ammunition for Greenalls to use against distressed sellers of hotels and pubs. But shareholders might have liked to know what they were buying before pulling out their chequebooks.

Whatever the timing considerations, investors have to judge the management's strategy. The decision to pull out of brewing was sensible, given Greenalls' lacklustre beers. Improving the quality of the pub estate also seems to have helped margins, though the capital expenditure involved may continue to drain cash from the group. But tactics in the hotel chain are more questionable. Poor conditions in the three-star middle market are scant justification for expanding in the four- and five-star area during a recession. The company, and its shareholders, should be cautious.

Wolseley

The world's biggest plumbing distributor has every right to be considered a household name. But it may astonish many to learn that Wolseley's market capitalisation yesterday overtook Blue Circle's, and that it is now second only in size to Redland in the UK building materials sector.

Last year's 14 per cent surge in pretax profits and 13 per cent rise in earnings per share was a remarkable showing. It left the chairman almost apologetic as analysts scurried to upgrade their forecasts for the current year. Far more embarrassing, though, is the position of other companies as they trot out the old excuses about recession and depressed markets. Wolseley in its quiet way appears to have demonstrated that a class management act can buck even the most dreadful trends.

Hammerson

There is nothing much wrong with capitalising interest or booking profits from property trading in a bull market. But, as dividend cuts from Slough Estates in August and now Hammerson illustrate, they encourage a false sense of security when times get tough. Those investors who calculated cover on the basis of stated earnings in earlier years were, frankly, deluding themselves. Trading profits are now virtually extinct, and, as Hammerson's action yesterday effectively acknowledges, the growth in future rental income (needed to offset the impact of higher financing costs as the development programme comes to an end) is highly uncertain.

That said, Hammerson deserves credit for following up last year's big New York write-downs with a realistic approach to the dividend. There are also signs of efforts to change the portfolio mix. On the face of it, the shares look cheap at a 60 per cent discount to prospective net assets. Perhaps old valuation techniques, though, are as dangerous as some traditional accounting principles.

Bundesbank signal lifts markets

Continued from Page 1

Some bankers in Frankfurt suggested that the central bank initially would allow only a gradual fall in rates. But there was widespread agreement that the ground was being prepared for eventual cuts in the discount and Lombard rates from their respective levels of 8.25 per cent and 9.5 per cent.

The recent effective revaluation of the D-Mark has exacerbated Germany's mounting economic difficulties by reducing the competitiveness of its export industries.

Mr Tietmeyer's remarks about M3 may also have been designed to soften the impact on financial markets of a sharp increase in money supply following the massive speculative inflows during last month's currency crisis.

The UK yesterday launched a DM5.5bn ($3.9bn) Eurobond to repay short-term borrowings incurred during the Bank of England's large-scale intervention to try and hold sterling above its floor in the exchange rate mechanism last month. The financing is part of an Ecu10bn ($14bn) foreign currency programme.

Germany determined not to build EFA

Continued from Page 1

arrangements. Reducing the aircraft's capabilities could increase this to 20 per cent, he said. Industry experts said savings could go as high as 30 per cent.

Spain, the junior partner alongside Germany, Britain and Italy, indicated it would support going ahead on the basis of a 30 per cent reduction.

However Mr Julián García Vargas, its defence minister, said production would need to be stretched out because of budgetary constraints. Spain said last week it was committed to keeping a four-nation programme and wanted to make the most of the £5bn already invested in EFA. But production should be delayed "by some years".

Defence ministers are expected to decide on the future of the project in early December.

The German minister said yesterday he had not seen the results of the industrial study, but that there were "differences of conception" with Britain, especially over the need for a fighter to undertake overseas missions. Germany sought "a European fighter, not a world fighter".

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	22	72	Boulogne	F	12	54	Frankfurt	S	11	52	Majorca	F	22	72	Oporto	C	12	54	Tenerife	F	25	77
Algiers	S	26	78	Brussels	F	12	54	Geneva	R	7	45	Malaga	R	20	68	Oslo	C	2	36	Tokyo	R	16	61
Amsterdam	S	11	52	Budapest		–	–	Gibraltar	R	18	64	Malta	C	25	77	Paris	C	12	54	Toronto †	S	-1	30
Athens	S	25	77	Buenos Aires	R	17	63	Glasgow	F	10	50	Manila	C	33	91	Prague	S	10	50	Tunis	S	28	82
Bahrain	S	28	82	Cairo	S	29	84	Helsinki	R	5	41	Melbourne	R	11	52	Reykjavik	C	5	41	Valencia	F	22	72
Bangkok	F	31	88	Cape Town	C	14	57	Hong Kong		–	–	Mexico City	C	18	64	Rhodes	S	26	79	Venice	F	10	50
Barcelona	S	20	68	Caracas	F	29	84	Innsbruck		–	–	Miami †	S	23	73	Rio de Janeiro	C	36	97	Vienna	C	8	46
Beijing	S	23	73	Casablanca †	C	22	72	Inverness	C	7	45	Milan	C	10	50	Rome	F	22	72	Warsaw	S	7	45
Beirut	S	25	77	Chicago †	C	3	37	Islamabad	F	27	81	Montreal †	C	2	36	Salzburg	C	8	46	Washington †	S	1	34
Belfast	F	8	46	Cologne	F	10	50	Istanbul	F	20	68	Moscow	Sn	1	34	S'Francisco †	F	15	59	Zurich	F	7	45
Belgrade	S	17	63	Copenhagen	C	9	48	Jakarta	R	31	88	Munich	R	6	43	Seoul	F	20	68				
Berlin	S	10	50	Corfu	S	23	73	Johannesburg	S	30	86	Nairobi	F	25	77	Singapore	F	26	79				
Biarritz	S	16	61	Dallas †	R	17	63	Lisbon	S	17	63	Naples	F	24	75	Stockholm	R	5	41				
Bombay	S	32	90	Dublin	F	8	46	London	F	8	46	Nassau	C	30	86	Strasbourg	C	11	52				
Bordeaux	F	15	59	Dubrovnik		–	–	Los Angeles †	S	15	59	New Delhi	S	30	86	Sydney	F	15	59				
				Edinburgh	S	9	48	Luxembourg	C	8	46	New York †	S	3	37	Taipei	F	26	79				
				Faro	S	19	66	Madeira	F	20	68	Nice	C	12	54	Tangier	C	17	63				
				Florence		–	–	Madrid	F	15	59	Nicosia	S	25	77	Tel Aviv	S	29	84				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

FINANCIAL TIMES
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INSIDE

SmithKline Beecham advances by 8%

SmithKline Beecham, the Anglo-American healthcare group, yesterday reported third-quarter profits up 8 per cent from £252m ($433m) to £272m, helped by a particularly strong performance from its pharmaceuticals operation. Page 16

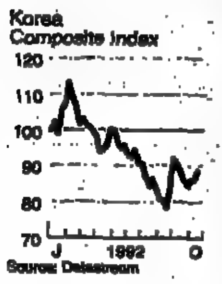
McKechnie ahead

Tight cost controls helped McKechnie, the restructured international plastic and metal components group, increase pre-tax profits by 21 per cent in the year to July 31. Page 20

UK lifts Stena Line

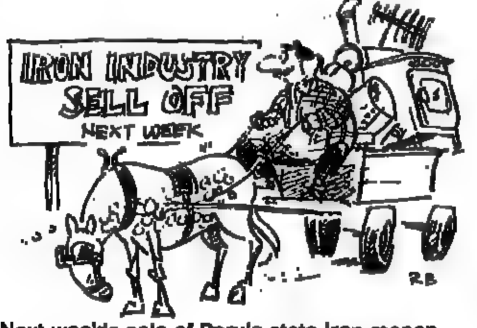
Stena Line, the Swedish shipping and ferry group, lifted profits to SKr255m ($45m) in the first eight months, a sharp improvement on a year earlier. The group said it benefited from the extensive rationalisation of its UK operation, which returned to profit. Page 16

Seoul woos foreign investors



South Korea is forging ahead with plans to widen foreign ownership of shares this autumn, but analysts in Seoul doubt whether the latest moves will be sufficient to revitalise the stock market – one of the worst performers in Asia this year. The composite index has tumbled from its high of 1,007.77 on April 1, 1989, to a low of 459.07 on August 21 this year. Back Page

Iron launches Peru sell-offs



Next week's sale of Peru's state iron monopoly, Hierro Peru, starts the privatisation of Peru's big mining concerns. The result will be a barometer for coming sell-offs. Page 24

Doubts dog Proton's success

When Malaysia's Proton car manufacturing plant was launched 10 years ago there were plenty of sceptics. On the face of it, the sceptics would appear to have been proved wrong. But in spite of its achievements, doubts continue about Proton's prospects. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
BMW (Br)	482.8	+	16.8
Bil. & Berger	915	+	40
Colonia Konzn Pf	420	+	20
Hoechst	236.5	+	9.8
Metallg'schaft	318.5	+	15
Varta	270	+	9.5

NEW YORK ($)

Rises			
Banc One	46 1/4	+	1 1/8
Chrysler	25 1/2	+	5/8
Citicorp	15 1/8	+	1/4
Compaq	39 5/8	+	1 1/8
Ford	38 1/8	+	1 1/8
Gen Motors	29 7/8	+	3/4

PARIS (FFr)

Rises			
Bouygues	473.4	+	35.4
CGIP	920	+	68
Cogifi	323.5	+	24.5
Fin Poliet	419.4	+	38.9
Legris	172.4	+	12.4
Falls			
Gal. Lafayette	1575	–	89

TOKYO (Yen)

Rises			
Nihon Kagaku S	600	+	36
Optec Daiichi	430	+	38
Takasago Tekko	224	+	14
Falls			
Catena	1520	–	150
Hoxan	485	–	40
Taiyo Kaiun	165	–	15

New York prices at 4pm.

LONDON (Pence)

Rises			
BAA	753	+	29
Borland Intl	1950	+	237
Boxmore Intl	177	+	16
British Gas	255 1/2	+	8 1/2
Cater Allen	328	+	18
Clarkson (H)	54	+	4
Gerrard Natl	306	+	26
Hammerson A	192	+	13
Howden	38	+	3
Pearson	364	+	21
Rank Org	530	+	22
Rothmans B	620	+	26
SmKlBeecham A	527	+	15
Thames Water	469	+	11
Thorn EMI	790	+	20
Tiphook	234	+	15
Unilever	1091	+	26
Wolseley	408	+	64
Falls			
Air London	61	–	4
Ashley(Laura)	65	–	5
Cook (Wm)	134	–	8
Greenalls	344	–	15
Low & Bonar	252	–	11
Wagon Indl	395	–	13

Citicorp held back by bad debt charges

By Alan Friedman in New York

CITICORP, the leading US bank seeking to boost its capital and stem losses, yesterday reported a $116m third-quarter net profit.

Although much improved on the $885m loss suffered in the same quarter last year, Citicorp's performance continues to reflect heavy bad debt provisions and loan write-offs.

The bank said its third-quarter bad-debt provisions totalled $927m, up from $896m a year ago. A $65m restructuring charge was also recorded in the quarter.

The bank wrote off $860m of consumer loans, compared with $756m of such write-offs a year ago.

Citicorp also wrote off $334m of commercial property loans in North America, compared with $134m of such write-offs in the third quarter of 1991.

Bad-debt provisions for commercial property loans were $309m, up from $229m a year ago.

The North American commercial property division suffered a quarterly loss of $267m, compared with a $186m loss a year ago.

Earnings per share were 17 cents, higher than the bank's own forecast of October 5, when it predicted earnings of between eight and 13 cents a share.

Analysts said the Citicorp results were a little better than predicted.

Mr John Reed, chairman, said the results were "encouraging evidence of Citicorp's steady progress toward rebuilding its earnings capacity and strengthening its balance sheet despite widespread economic sluggishness". He said the bank continued "on track" to meet its objectives.

Citicorp highlighted its third-quarter operating margin of $1.9bn, compared with $1.4bn a year ago.

The margin reflected strong results from the bank's foreign exchange activities, where revenues in the quarter were $364m against $193m. This was mainly due to the volatility of European currencies.

The bank said its Tier One capital ratio, the main US regulatory measure of capital against assets, improved to 4.25 per cent from 3.67 per cent a year ago. It said this would increase to 4.50 per cent when a $1bn preferred stock sale closes on Thursday.

Citicorp's return on assets for the quarter was a low 0.20 per cent, about a third of the national average. Return on equity was 3.2 per cent in the quarter.

Nomura joins retreat from non-UK equities

By Richard Waters in London

THE retreat from continental European equities, once seen as the next big money-spinner for securities houses, continued yesterday as Nomura closed down its London-based marketmaking activities in non-UK stocks.

The move, which follows Baring Securities' decision last month to cut back its continental European business, came as Japan's largest securities house announced a cut of a third in its London-based equities staff to around 70. The total of 50 redundancies yesterday, which included several in investment banking, mark the first widespread cuts in London by a Japanese financial institution.

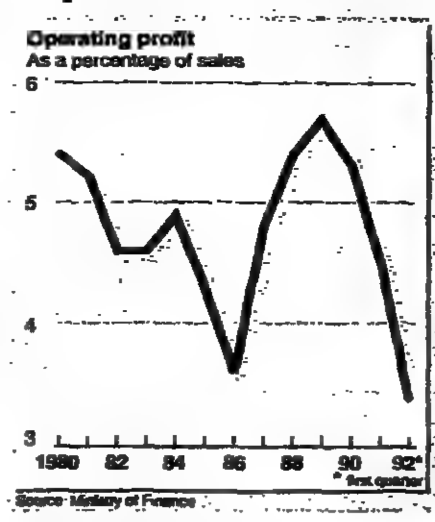
They are likely to undermine the reputation for job security built up by Japanese houses – though the squeeze on broking houses following the fall in the Tokyo stock market made redundancies far more likely.

Nomura began making markets in continental European equities only two years ago, and had been quoting prices in 65 stocks.

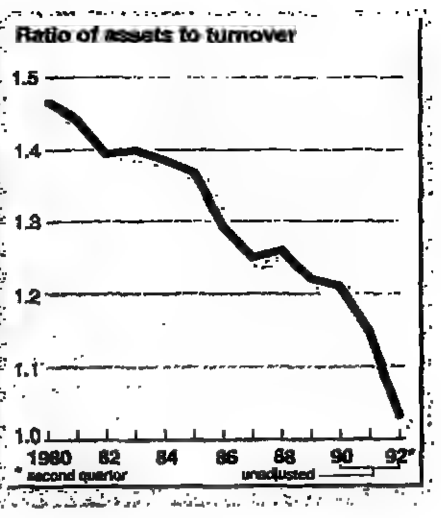
Like other securities houses with large London operations, Nomura had seen a move into continental stocks as an antidote to the overcrowded UK equity market. However, against a background of rising costs and low turnover, many brokers have found the continental equity business to be an expensive one to maintain.

The redundancies in UK equities yesterday mean that Nomura will no longer research a number of sectors of the UK stock market, including building, financials, insurance, chemicals and utilities. It remains a marketmaker in 130 UK stocks.

Japanese manufacturing industry



Production line for Nissan's Figaro car



Robert Thomson reports on a wave of cost cuts

Corporate Japan frets about profits

THE list reads like an honour roll of Japan's post-war industrial success stories: the Fujitsu computer group, the NEC electronics group, Minebea, the world's leading maker of miniature bearings, and Nissan Motor. Instead, it is part of the list of companies likely to report embarrassing losses in coming weeks.

As companies own up to dismal results for the six months to September, they will also be announcing more staff cuts, pared product lines, and trimmed executive salaries, as manufacturers attempt to respond to recession by restructuring. One in 10 Japanese listed companies is likely to report a loss for the period and only a few of those will get out of the red during the second half.

Japanese executives have begun to concede that poor profitability is not merely an inevitable result of recession. Many companies had recognised in the mid-1980s, after the yen's rapid appreciation and the maturing of core markets, that profits were in long-term decline and a restructuring was necessary.

But the easy money era of the late 1980s inspired unwise expansion of domestic production capacity and a rapid increase in staff, making the present crisis more acute and the need for restructuring more urgent.

The expansion was made in expectation of a continuing increase in sales, a forecast inspired, for example, by the 12 per cent jump in orders received for industrial machinery in 1988, and the 21 per cent rise a year later. While corporate investment in fixed assets rose 66 per cent over the past seven years, revenues rose only 29 per cent.

Nikko Research estimates that the operating profit margin for manufacturers this calendar year will be 3.1 per cent, down from 3.3 per cent in 1986, and from the oil shock-affected 4.5 per cent of 1975.

Meanwhile, Nikkei, the financial information company, estimated that the asset turnover ratio of listed manufacturers fell from 1.19 in 1984 to 0.97 in the last fiscal year.

There are two causes common to the plight of many manufacturers: the changing nature of the domestic market, and inefficient use of assets and personnel.

In the past, companies were able to pay for their international expansion with profits earned from the domestic market, where price competition was often a matter of consensus. Market-opening measures and a more aggressive approach by the Fair Trade Commission stimulated competition, but another important factor was the entry of old manufacturers into new markets during the past few years.

Nippon Steel began making personal computers, Minolta, the camera company, ventured into office equipment, and Minebea, the bearings maker, went into cosmetics. Komatsu, the construction machinery producer, started manufacturing silicon wafers and established a distribution network for Norwegian pleasure boats.

One result was increased crowding of already congested markets. When 11 semiconductor makers or nine television set producers squeeze into a shrinking domestic market, price-cutting leads to falling profits.

Apart from entering new markets, companies expanded their product lines in existing markets, as the flow of low-cost funds encouraged investments that should not have been made. Companies were feeling wealthy, sales were rising, and the surge in stock and land prices gave them a seemingly everlasting financial cushion.

Now the present economic downturn has left manufacturers stranded in new markets, either desperately trying to justify their investments by cutting prices or about to announce an embarrassing retreat. Mr Masanobu Takahashi, director of corporate research at Sanyo Investment Research, said the difficulties highlight the "excessively competitive nature of Japanese business". He argues that companies are "restructuring for their survival", and predicts "an inevitable" consolidation in the next few years. Companies must be prepared to withdraw from unprofitable markets, and not just prune the product lines.

The character of the average manufacturing company also plays its part in the crisis. While the country's shopfloors are rightly famous for lean production techniques, the company itself is often remarkably bloated.

A manager at a cosmetics maker estimated that "25 per cent of our workforce is unemployed", and Mitsubishi Motors, whose profits have risen against the trend, says a reason for its success is that "we entered the business late, and kept a leaner administrative workforce".

During the late 1980s, as companies rushed labour-saving technology into the factories, the typical head office was over-staffed. This has become a heavy burden on profits. The finance ministry reckons labour costs as a percentage of sales were 16.1 per cent in the second quarter this year, compared with 15.7 per cent in 1986, and 15 per cent in 1975, the other crisis years. UBS Phillips & Drew estimates manufacturing unit labour costs will rise 10 per cent this year, but productivity will fall 6.5 per cent.

Another aspect of the corporate character working against higher profits is the asset profile. Mr John Baldwin, strategist at Jardine Fleming Securities, said 21 per cent of listed companies' assets are securities or land, up from 14 per cent in 1980. Neither are likely to produce high yields for the next few years.

"The asset base is being used very inefficiently, and this is a bigger factor in dragging down profitability than falling margins," Mr Baldwin said. Most of the stocks are cross-holdings in suppliers or financial institutions and are not easily offloaded without rupturing that relationship.

In studying corporate profitability from the mid-1960s, Wako Research Institute found that in the late 1980s, frustrated companies turned to financial engineering. Using a profit index, the institute calculated that pre-tax profits grew by almost 80 per cent between 1986 and 1989, while operating profits were about 20 per cent higher – much of the difference was due to financial engineering.

Instead of counting gains on stock portfolios, companies are now booking losses, and interest income has fallen in tandem with their cash cushion. Japanese manufacturers are having to go back to the future – resuming a restructuring begun in the mid-1980s and halted prematurely.

Chrysler beats recession and lifts profits to $202m

By Martin Dickson in New York

CHRYSLER, the smallest of the Big Three US motor manufacturers, yesterday underscored its recovery from recession with third-quarter net earnings of $202m – which contrasts sharply with expected heavy losses from rivals General Motors and Ford.

The profits figure, which was struck after a $101m pre-tax charge for the restructuring of its car rental operations, compared with a loss of $82m in the same period of last year.

Sales and revenues were up 22 per cent at $9.2bn, and earnings per share worked through at 62 cents, compared with a loss of 36 cents a year ago.

Earnings for the nine months totalled $367m, or $1.08 a share, compared with a net loss of $892m, or $3.94 a share, in the same period of 1991. Sales and revenues totalled $26.7bn, up from $21.2bn.

Chrysler has benefited from good demand for its trucks and mini vans and a $3bn programme to slash its manufacturing costs.

Mr Lee Iacocca, who is retiring at the end of this year as chairman, said other factors contributing to the results were lower discounts and a reduction in less profitable sales to fleet buyers

The company is in the middle of launching a new range of medium-sized cars – the Dodge Intrepid, Eagle Vision and Chrysler Concorde – which are crucial to the revitalisation of its tired car range and have won enthusiastic reviews from the motoring press. Mr Iacocca said orders for these vehicles were very strong.

Chrysler's combined US and Canadian car and truck market share for the quarter was 13.5 per cent, compared with 11.3 per cent in the same period last year. For the nine months it totalled 13 per cent, up from 12.2 per cent.

Chrysler's financial services unit contributed third-quarter earnings of $45m, down from $81m in the same period last year, because of lower levels of earning assets and the increased cost of a debt agreement the company recently struck with its bank lenders.

Mr Iacocca said the July to September results, coming on top of a profitable second quarter, were particularly satisfying in the middle of the slowest US economic recovery in decades. He said it demonstrated the company's achievement in controlling costs, improving margins and lowering break-even points.

Allianz turnover set to hit DM52bn

By David Waller in Frankfurt

TURNOVER at Allianz, the largest insurance group in Europe, will rise from DM48.7bn last year to more than DM52bn ($36.80bn) this year, the Munich-based company said yesterday as it announced half-year figures.

However a number of factors, including hurricane Andrew in the US as well as a rise in car theft in Germany, will ensure that mainstream insurance business – before taking into account investment income – will incur losses for the second year in a row.

Profits from the group's investment activities – the book value alone of its investments stands at more than DM150bn – will compensate for the underwriting loss on pure insurance business, meaning overall profits will be "clearly positive", Allianz said.

As a result, the dividend for the current year will be held at the same level as for 1991, at DM13.50 per share, Allianz said.

Allianz's shares have fallen a quarter from their high point in June this year, driven downwards by disappointing 1991 figures released in late July.

Underwriting losses were DM1.78bn in 1991, compared with a profit of DM182m in 1990, a fact which markets chose to focus on rather than the 4 per cent rise in overall net profits to DM1.05bn. Hurricane Andrew is likely to cost Allianz DM75m.

Losses at the Deutsche Versicherungs subsidiary in east Germany will improve by DM200m this year, after DM625m last year.

Domestic results have been hit by a high level of industrial claims and a surge in car theft: earlier this month Allianz said it would have to pay out for more than 20,000 stolen cars this year.

Currency movements – in particular the relationship between the D-Mark and the dollar – trimmed DM1bn off premium income in the first half. In local currency terms, overseas income rose nearly 12 per cent, but in D-Mark terms, it rose 3.5 per cent to DM12.8bn. Domestic income rose 6.6 per cent to DM14.6bn.

Allianz announced premium income up by 5.1 per cent to DM27.4bn in the first six months of the year but blamed fierce competition in many countries for preventing an increase in premium income to adequate levels.

Allianz pointed to the 3.9 per cent fall in the average number of employees in the first half as evidence of its determination to cut costs.

SmithKline Beecham moves ahead 8% in third quarter

By Paul Abrahams in London

SMITHKLINE Beecham, the Anglo-American healthcare group, yesterday reported third-quarter profits up 8 per cent from £252m to £272m ($467.84m).

A particularly strong performance from the group's pharmaceuticals operations offset falling or stagnant profits in its animal health, clinical laboratories and consumer brands businesses. The group's A shares closed up 15p at 527p.

The results were achieved on sales up 9 per cent at £1.28bn. Earnings per share increased 13 per cent to 6.8p and 12.1 cents per equity unit.

The company, which generates 50 per cent of its sales in the US, suffered from adverse exchange rates. At comparable rates, sales increased 12 per cent, trading profits 8 per cent and pre-tax profits 13 per cent. Pre-tax profits for the first nine months were £804m, against £735m for the last comparable period, on sales of £3.74bn, compared to £3.44bn for the earlier comparable period.

The pharmaceuticals operations posted operating profits up 11 per cent to £173m. Sales increased 24 per cent to £709m.

The group's new products performed well. Seroxat, an anti-depressant, achieved 23.7 per cent market share in the UK. Mr Hugh Collum, finance director, said Relafen, SmithKline Beecham's anti-arthritis medicine, was now the third best-selling non-steroidal anti-inflammatory treatment in the US with 10 per cent of the market by value.

Kytril, a nausea-prevention treatment for cancer patients, has been accepted for use by more than 90 per cent of targeted clinics.

Mr Hugh Collum said the group had also benefited from the good performance of Engerix B, its hepatitis B vaccine.

Older products also performed well. Augmentin, an antibiotic increased sales by 41 per cent. Tagamet, the ulcer drug, which has lost most of its patents except in the US, declined 4 per cent.

The company proposed a third interim dividend of 2.075p per share and 4.503 cents per equity unit.

Background, Page 20

AMB-BfG wrangle takes twist

By David Waller in Frankfurt

THE COMPLEX cross-border wrangle over the fate of Aachener und Münchener Beteiligungs (AMB), Germany's second-largest insurance company, and BfG Bank, its majority-owned subsidiary, has taken another twist.

A Frankfurt lawyer has launched a move to pressure Assurances Générales de France (AGF), the French insurance company which has spent in excess of DM1.1bn ($741m) to buy a 25-plus per cent stake in AMB, into making a full takeover offer.

Mr Nicolaus-Jürgen Weickart is complaining that the interests of the majority of shareholders in AMB have been neglected.

He has assembled a group of AMB shareholders – representing some 10 per cent of the total – who object to the rapprochement between AMB and AGF. Last July, a deal was reached whereby AMB abandoned its hostility to AGF and agreed to recognise the voting rights on the majority of AMB's shares.

These agreements were reached by the supervisory boards of the two companies over the heads of Mr Wolf-Dieter Baumgartl, then the AMB chief executive, and without reference to shareholders. Mr Baumgartl subsequently resigned.

Mr Weickart has put pressure on AMB to call a special annual general meeting at which shareholders will be obliged to agree any sale of BfG and to approve the giving of full voting rights to AMB. Given the likely opposition of Fondiaria, the Italian insurance company which has 20 per cent of AMB, it is possible that AGF and associated shareholders could be voted down at the meeting, which is likely to take place around the turn of the year.

BA in talks to rescue Dan-Air

By Paul Betts, Aerospace Correspondent

BRITISH AIRWAYS and Dan-Air were in intense last-minute negotiations yesterday with increasing signs that the two sides are close to an agreement for BA to rescue the smaller airline.

Airline industry analysts expect Dan-Air and BA to make an announcement as early as today or tomorrow.

Although chances of a BA rescue of Dan-Air were put at only about 50 per cent at best last week, the negotiations appear to have made progress and an agreement now looks imminent.

But airline industry executives remained cautious. "We've been led up the garden path before," one said, adding, however, that a decision was expected in the next 24 hours.

BA and Dan-Air declined to comment yesterday on the negotiations to rescue the financially troubled Gatwick-based carrier. A

BA was approached by Mr David James, the company doctor in charge of Dan-Air, about 10 days ago.

BA is understood to have offered to acquire a minority stake in Dan-Air on condition it involved only the scheduled part of the airline's operations and not its charter business.

Hammerson warns of 50% cut in payout

By Angus Foster in London

HAMMERSON yesterday became the second big UK property group to signal a cut in its dividend when it announced plans to cut the total payout this year by over 50 per cent, from 20.5p to 10p.

The company said depressed conditions in its main markets of the UK, Canada and Australia meant the interim dividend of 3.5p was maintained, but a final dividend of 6.5p instead of 17p would be recommended.

Mr John Parry, managing director, said the cut took the dividend to a "sustainable" level. Mr Sydney Mason, chairman, spoke of a recession "both deeper and longer than any in living memory".

In August, Slough Estates cut its interim dividend from 4.4p to 3.1p. Yesterday's proposed cut by Hammerson was expected by the stock market, which marked up the company's 'A' shares by 13p to 192p. Analysts were divided over whether other large UK property companies would also cut dividends when announcing results.

Hammerson's pre-tax profits fell from £31.1m to £23.3m in the six months to June 30. The fall was mainly due to higher finance costs: the company's development programme is nearly complete so less interest is being capitalised.

Net rental and other income increased 3.9 per cent to £63.4m. Vacancy rates increased 1 per cent from a year ago to 8.5 per cent but remain low compared with the sector. Bad debts also remained low at less than 1 per cent of turnover and were likely to be below last year's £1.4m, the company said.

Finance costs increased from £21m to £31.8m, as capitalised interest fell from £19.4m to £8.5m. Capitalised interest is likely to total £15m this year, and fall to almost zero next, as the development programme is completed.

Earnings fell from 12.9p to 10.8p.

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Cap Gemini Sogeti declines 20%

By William Dawkins in Paris

FRESH evidence of the deepening gloom in the computer industry came with a record 20 per cent decline in first-half profits yesterday from Cap Gemini Sogeti (CGS), Europe's leading computer services supplier.

The French group, which saw a 10 per cent profits decline last year, its first ever earnings fall, warned that earnings would be well below average again for 1992 as a whole. It saw no end to the crisis before the end of next year or early 1994.

Net profits fell to FFr142.5m ($28.3m) in the first six months, from FFr179.2m in the same period of last year on turnover up by 18 per cent from FFr5bn to FFr5.89bn.

The rise in turnover was entirely due to two acquisitions, of Volmac and Programmator, the Dutch and Swedish computer services groups. These are the latest in a string of ambitious international takeovers and joint ventures, in the UK, Germany and the US.

Profits for the full year would be well below the 6 per cent net return on turnover achieved in recent years, on the grounds that the current six months showed no improvement in the poor economic conditions, said CGS.

CGS did not announce any job losses from among its 22,000 staff, but warned that it would "lighten its structures" and staff in line with clients' needs.

The economic crisis in Europe and the US had worsened and many of CGS' big corporate customers had cut investments in computer services over several quarters, said the group.

To make matters worse, a number of powerful computer companies had responded to the recession by diversifying into software services, so intensifying the competition in CGS' core business.

On top of this, CGS was in the middle of a costly reorganisation of its French international units, due to be completed by the end of 1993, which is intended to make it better equipped to handle large cross-frontier European services contracts across its offices in 14 countries.

It had started the reorganisation before the crisis struck, but had been forced to accelerate the scheme as a result.

Operating profits fell from FFr323.4m to FFr158.3m in the first half, while finance charges declined from FFr92.8m to FFr13.6m, thanks to a FF2.4bn reduction in CGS' long term debts last year.

Bouygues edges ahead to FFr108m

By Alice Rawsthorn in Paris

BOUYGUES, the world's largest construction company, managed a slight increase in profits in the first half of the year, but warned of a fall in sales for the full financial year.

Bouygues, like other French construction companies, has been hit in the past year by the impact of the economic slowdown on the building sector. It has also suffered from the problems encountered in the Channel Tunnel project, on which it is one of the major contractors.

The group, which this summer took advantage of the Paris stock market's brief rally to stage a FFr1.04bn ($210m) rights issue, saw net profits rise by 4 per cent – just above France's annual inflation rate of around 3 per cent – from FFr104m in the first six months of 1991 to FFr108m in the same period this year.

Mr Martin Bouygues, chairman, said that he anticipated a slowdown in sales of 4 per cent to FFr62bn for the full financial year.

However, Mr Bouygues refused to disclose profit projections for 1992.

Bouygues has been building on its core construction interests by investing in film, through its Ciby 2000 production subsidiary, and television, as managing shareholder of TF1, France's biggest television channel.

● BSN, France's largest food group which was earlier this year embroiled in the bitter bid battle for Perrier mineral water, yesterday announced a 12.6 per cent increase in sales to FFr54.4bn in the first nine months of 1992.

The increase was largely due to acquisitions, but BSN mustered growth of 3.5 per cent on a comparable basis.

UK shake-up behind sharp improvement at Stena Line

By Christopher Brown-Humes in Stockholm

STENA LINE, the Swedish shipping and ferry group, lifted profits to SKr255m ($45m) in the first eight months, a sharp improvement on just SKr28m a year earlier.

The group said it benefited from the extensive rationalisation of its UK operation, Sealink Stena Line, which returned to profit. The group also benefited from higher passenger numbers and freight volumes.

However, recent exchange rate turbulence has forced it to scale down an earlier prediction that full-year profits would reach SKr250m. It now expects a 1992 profit of SKr210m, a turnround of more than SKr500m from last year's SKr302m loss.

Stena Line said passenger numbers climbed by 2 per cent to 10.1m in the latest eight months, with freight volume 3 per cent higher at 518,000 units. Passenger numbers on Sealink Stena Line's Dover-Calais route climbed 25 per cent, while freight volume on Dover-Dunkirk increased 79 per cent. Despite this, turnover fell 3 per cent to SKr5.38bn.

NCC turns in SKr109m loss

By Robert Taylor

NCC, one of Sweden's leading property and construction groups, made a loss of SKr109m ($19m) for the first eight months of the year, compared with a profit of SKr242m in the same period last year. These figures include the group's share of profits from associated companies. Its consolidated sales fell slightly to SKr14.3bn from SKr14.8bn.

Profits (after net financial items), excluding associated companies, were down to SKr165m from SKr321m. The company does not expect to make a full-year profit.

ASG forms alliance with Danzas for SKr50bn unit

By Robert Taylor in Stockholm

ASG, Sweden's second largest transport company, is forming an alliance with Danzas, the Swiss conglomerate, to create a European transport group with a SKr50bn ($8.9bn) annual turnover and 20,000-strong workforce.

ASG will concentrate its activities in the Nordic region and take over Danzas's business in the area while turning over its own affairs elsewhere in the world to the Basle-based company.

The alliance, which will come into being next year, will co-ordinate the marketing, product development and electronic data processing operations of the companies. They will be able to utilise each other's existing warehouse facilities. Until now ASG worked with about 15 partners in different countries involving a variety of regulations.

Mr Bengt Jonsson, ASG's chief executive, said: "Our own capital base is too small to carry out large acquisitions in the European market. At the same time the profit levels in most companies are too low and purchase prices too high."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 21.10.92 Pool purchase price £/MWh	Final Prices for Trading on 20.10.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.66	17.76	17.76
0100	17.66	17.76	17.76
0130	17.82	17.71	17.71
0200	26.06	17.76	17.76
0230	27.98	17.76	17.76
0300	27.06	17.76	17.76
0330	27.98	17.71	17.71
0400	26.06	17.71	17.71
0430	17.66	17.71	17.71
0500	17.83	17.71	17.71
0530	17.74	18.83	18.83
0600	17.74	17.66	17.66
0630	17.82	17.71	17.71
0700	23.16	22.06	24.42
0730	26.91	26.76	29.27
0800	29.66	26.79	29.23
0830	36.28	26.02	30.44
0900	36.65	26.03	30.46
0930	36.19	26.06	30.48
1000	34.94	26.05	30.44
1030	31.65	26.06	30.43
1100	29.66	27.32	29.68
1130	29.82	27.33	29.66
1200	29.82	27.35	29.70
1230	29.31	27.32	29.68
1300	29.02	26.61	29.16
1330	[illegible]	26.79	29.14
1400	26.41	26.79	29.14
1430	26.40	26.41	27.73
1500	26.41	26.40	27.73
1530	26.41	26.41	27.73
1600	26.44	26.41	27.73
1630	26.16	26.01	30.39
1700	26.36	26.02	30.39
1730	26.51	26.01	30.39
1800	29.29	26.01	30.39
1830	31.98	25.40	27.73
1900	31.92	[illegible]	22.12
1930	26.93	26.04	30.42
2000	26.15	26.06	30.40
2030	23.90	26.04	30.40
2100	23.53	26.00	30.37
2130	23.53	25.27	27.58
2200	23.15	24.07	25.39
2230	[illegible]	23.04	25.36
2300	22.34	22.91	25.25
2330	21.29	21.25	21.25
2400	17.72	17.76	17.76

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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REDEMPTION NOTICE

Notice is hereby given that Exarp Corporation has elected to redeem all of its U.S. $4,236,000 11.5% Notes due November 30, 1996 (the "Notes"). The Notes will be redeemed on November 30, 1992 at a redemption price of 100% of the principal amount thereof, together with interest accruing to the date of redemption and the premium payable pursuant to Section 5 of the Notes, at the office of Cititrust (Bahamas) Limited, the Paying Agent, in the Citibank Building, Thompson Boulevard, Nassau, The Bahamas. Payment of the redemption price of the Notes will be made upon presentation and surrender of the Notes to be redeemed together with all appurtenant coupons maturing subsequent to November 30, 1992 at the aforesaid office. Interest on the Notes will cease to accrue on or after November 30, 1992. All interest accrued to November 30, 1992 and the premium will be paid at the aforesaid office on or after the aforesaid date upon presentation and surrender of the Notes.

CITITRUST (BAHAMAS) LIMITED

Johannesburg Consolidated Investment Company, Limited

GROUP GOLD MINING COMPANIES

Summary of reports: quarter ended 30 September 1992

Randfontein Estates

The Randfontein Estates Gold Mining Company Witwatersrand Limited
Registration number 01/00251/06

	Quarter ended 30.09.92	Quarter ended 30.06.92
Ore milled: tons (000)	2 037	2 130
Yield: grams per ton	3,80	3,67
Working cost – per ton milled	R103,03	R96,49
– per kilogram produced	R27 097	R26 293
	R000	R000
Net profit before tax	58 040	55 409
Net profit after tax	47 371	55 290
Capital expenditure	24 930	36 818
Dividends	—	36 681

Western Areas

Western Areas Gold Mining Company Limited
Registration number 59/03209/06

	Quarter ended 30.09.92	Quarter ended 30.06.92
Ore milled: tons (000)	645	496
Yield: grams per ton	5,84	5,99
Working cost – per ton milled	R193,87	R203,32
– per kilogram produced	R33 175	R33 933
	R000	R000
Net profit before and after tax	8 076	9 360
Capital expenditure	4 552	9 801

H. J. Joel

H. J. Joel Gold Mining Company Limited
Registration number 85/01995/06

	Quarter ended 30.09.92	Quarter ended 30.06.92
Ore milled: tons (000)	250	242
Yield: grams per ton	5,63	5,98
Working cost – per ton milled	R187,52	R173,95
– per kilogram produced	R33 295	R29 092
	R000	R000
Net profit before and after tax	775	5 870
Capital expenditure	8 927	3 620

All figures are unaudited. Quarterly reports have been mailed to the shareholders of each company. Copies of the reports may be obtained from Barnato Brothers Limited, 99 Bishopsgate, London, EC2M 3XE.

Johannesburg
21 October 1992

ASSETMIX SICAV

Registered office
7th Floor, Centre Mercure, 41 avenue de la gare, LUXEMBOURG
R.C. de Luxembourg B25390

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Assetmix Sicav will be held at its registered office, 41, avenue de la Gare, Luxembourg, on Tuesday 3rd November 1992 at 16:00 hrs for the purpose of considering and voting upon the following matters:

1) To receive and adopt the Director's Report and the report of the Auditor for the year ended 30 June 1992.
2) To receive and adopt the Statement of Net Assets, Statement of Operations and Statement of Changes in Net Assets and in Issued Shares for the year ended 30 June 1992.
3) Discharge of the Directors and of the Auditor.
4) To re-appoint the existing Directors of the Company.
5) To re-appoint Coopers & Lybrand S.C. as Auditors.
6) Miscellaneous

Voting
The Resolutions may be passed without a quorum, by a simple majority of the votes cast thereon at the meeting.

Voting Arrangements
In order to vote at the meeting the holders of bearer shares must deposit their shares not later than October 30, 1992, either at the registered office of the Fund, or with any bank or financial institution acceptable to the Fund, and the relative Deposit Receipts (which may be obtained from the registered office of the Fund) must be forwarded to the registered office of the Fund to arrive not later than October 30, 1992. The shares so deposited will remain blocked until the day following the Meeting or any adjournment thereof.

The holders of registered shares need not deposit their certificates but can be present in person or represented by a duly appointed proxy.

Shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy form to the registered office to arrive not later than 30 October 1992.

Proxy forms will be sent to registered shareholders with a copy of this Notice and can be obtained from the registered office.

The Board of Directors
9 October, 1992

U.S.$300,000,000

Province de Québec

Floating Rate Notes Due 2001

Interest Rate	3⅜% per annum
Interest Period	21st October 1992 21st April 1993
Interest Amount due 21st April 1993 per U.S.$ 10,000 Note	U.S.$ 173.78
per U.S.$250,000 Note	U.S.$4,344.62

Credit Suisse First Boston Limited
Agent

BANQUE NATIONALE DE PARIS

USD 150,000,000
Subordinated Floating Rate Notes due 2002

Notice is hereby given that the rate of interest for the period from October 21st, 1992 to April 21st, 1993 has been fixed at 5 per cent per annum. The coupon amounts due for this period are USD 25.28 per denomination of USD 1,000, USD 252.78 per denomination of USD 10,000 and USD 2,527.78 per denomination of USD 100,000 and are payable on the interest payment date April 21st, 1993.

The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

INTERNATIONAL COMPANIES AND FINANCE

Wells Fargo hit by debt provision

By Alan Friedman in New York

WELLS FARGO, the California bank that has been hit by commercial property loan problems, yesterday disclosed a sharp drop in third-quarter net profits.

The bank's net income was $24m, down from $86m a year ago, while earnings per share fell to 21 cents from $1.59 in the third quarter of 1991.

Wells said the main reason for the steep decline was a $400m bad debt provision, double the level a year ago.

Mr Carl Reichardt, chairman, said the bank's pre-tax earnings before provisions remained high by historical standards. But he said the California economy, especially in the southern part of the state, "continues to decline and increased reserves appear prudent".

For the first nine months of 1992, Wells Fargo's net income was $225m, compared with $252m a year ago.

Return on assets at Wells was 0.18 per cent, while return on equity was just 1.5 per cent. A year ago, the return on assets was 0.62 per cent and the return on equity was 10.62 per cent.

Net loan write-offs in the third quarter amounted to $254m, double the $123m of write-offs a year ago. The slump in commercial property continued to be the main problem for these write-offs.

On Wall Street, the Wells Fargo share price rose by $⅛ to $65⅞ before the close.

By contrast, third quarter net earnings at the Pittsburgh-based Mellon Bank *more than* doubled, from $70m to $156m. Earnings per share were $2.57, against $1.10 a year ago.

Mellon said the quarterly results included $76m in gains on the sale of securities and an $18m charge related to cost-cutting at the bank. But even *excluding these special items* Mellon still achieved a 42 per cent increase in third quarter net earnings, to $98m.

Mellon's bad debt provisions were $40m in the quarter, or half the previous year's level. Loan losses were up only slightly year-on-year, from $59m to $61m.

The Mellon share price was $⅛ higher at $45⅞.

In Ohio, Banc One, the rapidly-expanding retail banking group, said its third-quarter net earnings were $186.2m, or *87 cents a share*.

This was an improvement on the third-quarter net profit of last year, although the figure has been restated at $140.4m to reflect two acquisitions.

Banc One's return on assets was 1.49 per cent, one of the highest in the US and nearly *twice the national average*. Return on equity was 17.14 per cent.

Mr John McCoy, chairman, said the bank continued to see an improvement in both its own profits and the credit quality of recently-acquired affiliates in the process of being integrated into the group.

Banc One's bad debt provision was $115m, up from $95m a year ago.

On Wall Street, Banc One's shares were up $1⅛ at $46⅛.

US banks show signs of recovery continuing

By Alan Friedman

THE recovery trend in US banking continued when a quadrupled third-quarter net profit was unveiled by NationsBank, the large south-eastern regional group formed last year by the merger of C&S Sovran and NCNB.

NationsBank said it earned $350m of net income in the third quarter, compared with $81m a year ago. Earnings per share were $1.40, against 31 cents in the same quarter last year.

For the first nine months of 1992, net income more than doubled year-on-year, to $911m, while return on equity was a strong 17.27 per cent for the nine-month period.

Third-quarter 1992 net loan write-offs amounted to $141m, down from $280m a year ago. Bad debt provisions in the quarter were $150m, well below the $430m of a year ago.

In Connecticut, Shawmut National, an indicator of the state of the New England economy, recorded a more modest $13m third-quarter net profit, compared with $2.2m a year ago.

Shawmut's earnings per share were 14 cents, up from 2 cents a year ago.

The bank's bad debt provisions were $43.6m in the quarter, against $57m a year earlier.

Compaq faces 'additional challenge' from IBM PC

By Louise Kehoe in San Francisco

COMPAQ'S third-quarter sales rose by 50 per cent to $1.06bn, from $709m in the same period last year, in stark contrast to IBM's "*substantial decline*" in PC sales, reported last week.

Compaq's net income for the quarter was $49m, or 61 cents per share, compared with a net loss of $70m in the third quarter of 1991 when the company took a pre-tax restructuring charge of $135m.

"Compaq shipped worldwide a record number of PCs in the third quarter including over 200,000 in September alone, yet we entered the fourth quarter with a sizeable backlog," said Mr Pfeiffer.

"We are getting much better at forecasting demand," he added, "and expect to begin meeting current demand on *most products during the* fourth quarter."

"Despite our continuing market share gains, Compaq is fully aware of the fiercely competitive market that lies ahead and we are committed to take decisive and timely actions necessary to ensure continued success," said Mr Eckhard Pfeiffer, Compaq *president and chief executive*.

IBM's launch of its new ValuePoint range of PCs yesterday, with prices for fully configured systems including a colour monitor starting at $1,299, "is clearly an additional challenge," Mr Pfeiffer acknowledged.

"IBM is flexing its muscles. Big Blue has made a lot of changes by giving its PC unit autonomy and unburdening it from corporate overheads, but it remains to be seen how efficient they can be" he said.

Compaq's own drive to reduce costs led to a workforce reduction of 1,000, announced earlier this month. Restructuring and other *special charges associated with* the job cuts, totalling $85m, were reflected in the third quarter results. The charges were offset by a gain of around $86m on the sale of an equity interest in Conner Peripherals.

On Monday Compaq lowered US prices on several of its popular desktop and notebook personal computers *in advance of IBM's anticipated ValuePoint product* introductions.

"This action is another example of our resolve to remain an aggressive cost leader, coupled with PC technology and customer support leadership." Mr Pfeiffer said.

IBM also said, however, that it planned to match price cuts by competitors and indeed the company adjusted the prices of its new ValuePoint products on the eve of their introduction in response to Compaq's price cuts.

For the first nine months of 1992, Compaq reported net income of $124m, or $1.48 per share, compared with $64m, or *72 cents per share, last year*. Sales advanced to $2.7bn from $2.4bn in the same period last year.

Growth in volume helps boost GTE 9%

By Karen Zagor in New York

GTE, the largest local telephone company in the US, yesterday posted a 9 per cent advance in third-quarter earnings from continuing operations, reflecting volume growth and strong gains in the mobile-cellular business.

For the three months to September 30, earnings rose to $500m, or 55 cents a share, from continuing businesses, compared with $457m, or 51 cents, a year earlier. Revenues and sales were 2 per cent higher at $4.97bn, against $4.85bn.

The figures, which met analysts' expectations, do not include GTE's electrical products operations it sold in the third quarter in two separate deals valued at $1.1bn.

Operating income from the group's local telephone operations rose 7 per cent to $1.08bn. Revenues increased 2 per cent to $3.99bn, helped by a 7.7 per cent annual rise in usage of the company's local network for long-distance calling and a 3.6 per cent annual increase in access lines. These increases, however, were partly offset by lower tariffs charged to long-distance carriers for access to its local network.

Operating income from GTE's cellular telephone business climbed to $65m from $32m on revenues which rose 5 per cent to $980m from $935m.

The number of new customers rose about 34 per cent, including 57,000 in the quarter, bringing the total to 977,000 from 727,000 a year earlier. Average revenues per subscriber fell slightly in the quarter, to $77 a month.

For the first nine months, earnings from continuing operations advanced to $1.37bn, or $1.51, against $1.05bn, or $1.16, last year, when it took a net charge of $204m, or 12 cents a share, related to last year's $6bn merger with telecommunications group Contel.

Stripping out last year's one-time charge, earnings per share from continuing operations rose 9 per cent in the first nine months. Revenues and sales were up at $14.85bn from $14.39bn.

LSI Logic reverses into loss

By Louise Kehoe

LSI LOGIC, the US semiconductor manufacturer, suffered third-quarter losses after $102m restructuring charges for the closure of its German production plant and a refocusing of its product lines.

Net losses for the quarter were $111m, or $2.51 per share, compared with a *net profit* of $804,000, or 2 cents a share, in the third quarter last year.

Excluding the results of the charge, the operating loss in the quarter was $3m, compared with an operating profit of $4m in the third quarter a year ago. Including the restructuring charge, the operating loss in the third quarter was $105m.

Revenues in the third quarter were $154m, down nearly 11 per cent from $173m a year ago.

Last month, LSI Logic announced it would accelerate the phasing out of older manufacturing capacity in the US and Germany, and emphasise higher value-added products, including application-specific integrated circuits (Asic).

"Excess manufacturing capacity combined with a fiercely competitive chipset market had the effect of overshadowing the true results of the ASIC business," said Mr Wilfred J. Corrigan, chairman and chief executive.

"With the financial restructuring behind us, LSI Logic now expects to return to profitability in the fourth quarter of 1992," Mr Corrigan said.

The growth in third quarter revenues over the prior second quarter reversed a string of four consecutive quarterly declines.

The net loss for the nine months was $117m, or $2.63 per share, compared with a net profit of $7m, or 17 cents a share, in the same period last year. Revenues were $456m, down nearly 14.5 per cent from $534m a year ago.

New chip from Intel to carry name not number

By Louise Kehoe

INTEL'S fifth generation of microprocessor chips, to be launched early next year, will carry a new name instead of a number.

The US company has registered the name "Pentium" as a trademark to prevent competitors using it.

Intel's current products are called the 386 and the 486, *following a numbering convention* the company has developed over the course of several years.

"The natural course would be to call this chip the 586," said Mr Andrew Grove, Intel president and chief executive. "Unfortunately, we may not able to trademark those numbers."

Intel lost a legal battle with rival Advanced Micro Devices last year to protect its numbering system.

"That means that any company might call any chip a 586, even if it doesn't measure up to the real thing."

Pentium will be the "brains" of the next generation of personal computers.

"It represents the next advance in performance – running software two to three times faster than today's 486 PCs," said Mr Grove.

Kaiser Aluminum tumbles to $3.9m

By Laurie Morse in Chicago

KAISER Aluminum, the US mining company suffering from low prices for most of its products, yesterday reported a sharp decline in earnings for the third quarter.

The company unveiled net income of $3.9m, or 6 cents a share, for the quarter, down from $23.1m, or 41 cents, last time. Sales were $458.5m, compared with $509.7m a year ago.

For the first nine months of the year, Kaiser's earnings were $24.3m, or 42 cents, down from $81.3m, or $1.56, last year. Nine-month sales were $1.4bn, compared with $1.53bn last year.

"Third-quarter results reflect lower realised prices for the company's alumina, primary aluminium and fabricated aluminium products," the company said. It added that lower prices reflected softened demand, combined with a cyclical worldwide over-supply of aluminium.

Kaiser shipped 164,700 tonnes of primary and fabricated aluminium in the third quarter, and 518,500 tonnes in the first nine months, compared with 167,000 tonnes and 492,200 tonnes, respectively, in the same 1991 periods. Primary aluminium accounted for about 48 per cent of Kaiser's third-quarter shipments, against 52 per cent in the third quarter of 1991.

Alumina shipments totalled 469,000 tonnes in the third quarter, down from 511,300 tonnes in 1991.

● **Phelps Dodge**, the world's second-largest copper producer, reported third-quarter earnings above analysts' expectations. Net income jumped to $119.9m, or $1.70 per share, an increase of 83 per cent over third-quarter 1991 earnings of $64.7m, or 93 cents.

For the first nine months, the US group recorded net income of $240.9m, or $3.42 per share, up from $197.7m, or $2.85 per share, last year.

Sales were $672.1m in the third quarter, and $1.9bn for the first nine months, compared with $617.6m and $1.8bn, respectively, for the same periods a year ago. Cash-flow from operating activities reached $288.5m in the first nine months of 1992.

Third-quarter results include income of $36.4m, or 52 cents a share, from the sale of 20 per cent of the company's interest in a Chilean copper mine to *Sumitomo of Japan*.

Phelps Dodge Mining Company reported third-quarter operating earnings of $113.6m, compared with $87.3m a year ago, reflecting a higher average copper price and lower production costs.

Reebok results fall below expectations

By Karen Zagor

REEBOK International, the US sports shoe maker, posted disappointing earnings for the third quarter and warned that its fourth-quarter results would trail earlier projections.

Net income for the quarter advanced to $74.4m, or 80 cents a share, on sales of $863.2m, from $66.2m, or 71 cents, on sales of $764.3m a year earlier.

Most analysts had expected *earnings of about 83 cents a* share in the latest quarter.

Mr Paul Fireman, chairman and chief executive, said the company had cut its expected full-year earnings from operations to a range of $2.50 to $2.55 a share from earlier estimates of $2.70 to $2.85.

Although sales of Reebok and Rockport brands increased in the quarter, sales of Ellesse fell sharply to $12.2m from $20.4m, while AVIA lost 22.4 per cent to $36.4m.

Johnson & Johnson advances 17%

By Karen Zagor

JOHNSON & Johnson, the US healthcare group, yesterday turned in a 17 per cent increase in third-quarter net earnings on sales which rose nearly 12 per cent, helped by a lower tax rate and a weaker dollar.

The company had net earnings of $425m, or 65 cents a share, against $363m, or 54 cents.

There were fewer shares outstanding in the latest quarter following the company's $500m stock buy-back programme in the second quarter. Pre-tax *earnings increased 12.3 per* cent in the quarter.

The company's sales of $3.48bn in the latest quarter were lifted about 3.8 per cent by the benefits of a weak dollar.

During the quarter, Johnson & Johnson was charged $116m, plus interest, in damages awarded to Minnesota Mining & Manufacturing. The company also received $74m from the settlement of a lawsuit with Amgen. Johnson & Johnson said the net result of these had no material effect on third-quarter earnings.

For the first nine months, the company had net earnings of $1.35bn, or $2.05 per share, on sales of $10.25bn, against earnings of $1.19bn, or $1.78, on sales of $9.3bn.

Colgate-Palmolive back in the black in third term

By Nikki Tait in New York

COLGATE-Palmolive, the US consumer products group, yesterday reported after-tax prof*its of $128.8m for the three* months to end-September, on sales of $1.83bn.

The figure compares with a $197.4m loss in the same period of 1991, but the previous year's results were depressed by a one-off restructuring charge of $340m before tax.

Colgate said with this excluded net income would have shown a 34 per cent increase year-on-year, and earnings per share a 15 per cent rise to 78 cents.

Mr Reuben Mark, Colgate's chairman, said all four geographical regions showed higher sales and profits in the third quarter.

For the group overall, unit volume was up by 12 per cent, although the advance partly reflected the purchase of the Mennen business in the US. Without Mennen, there would have been a 5 per cent unit volume increase.

The third-quarter results bring Colgate's net profits for the first nine months of 1992 to $367.1m, compared with $38m – after the restructuring charge – in the same period of 1991.

Laidlaw plans Italian purchase

By Bernard Simon in Toronto

LAIDLAW, the North American waste services and school bus operator, is about to make a direct investment in *Europe by acquiring a mid-*sized Italian waste technology company.

Laidlaw said yesterday the company would not be identified until its employees and customers had been told of the takeover. The Italian concern has annual sales of $40m to $50m and specialises in hazardous waste treatment.

Laidlaw expects to use the Italian company's expertise in its US and Canadian operations.

Proton motors through industry scepticism

Kieran Cooke examines the risky road being travelled by Malaysia's national car

WHEN Dr Mahathir Mohamad, Malaysia's prime minister, announced more than 10 years ago plans for a car manufacturing plant in the country there were plenty of sceptics.

Malaysia was at an early stage of industrial development, and the technical and management skills necessary to run such a project were in short supply. The question was, how could a relatively poor country with only 18.5m people sustain such an ambitious and costly enterprise?

On the face of it, the sceptics would appear to have been wrong. Perusahaan Otomobil Nasional - or Proton for short - produced its first car in 1985. Last year it produced 102,000.

Proton now has a 65 per cent share of domestic car sales, and exported its first car in 1987.

Now, according to the company, it is the fastest-selling car in its class in the UK, with cumulative sales to September 30 of 45,000. Proton's latest export model, the Catalyst, is on display at this week's Birmingham motor show.

Company finances appear secure: after a partial privatisation this year Proton has borrowings of M$592m (US$236m) and cash of M$913m, giving a net cash position of M$381m. In the year to March, Proton earned taxable profits of M$408m on turnover of M$2.2bn. In the previous year, taxable profits were M$261.5m on turnover of M$1.8bn.

Driven by its success, Proton recently announced a M$1.2bn expansion programme aimed at bringing production at its plant outside Kuala Lumpur up to 120,000 units by the end of next year, 150,000 units by 1995. A large portion of the new production is planned for export to the UK and elsewhere in Europe.

Despite its initial achievements, doubts persist about Proton's long-term prospects.

Proton's success reflects the growth in the Malaysian economy. Sales were sluggish for the first three years of production but took off as the economy moved into the fast lane in 1988-89. Since then, domestic sales have increased by an average 50 per cent per annum.

Sales have been helped considerably by government protection.

As a result the Proton enjoys a cost advantage in the domestic market of more than 30 per cent against equivalent makes.

While few doubt the basic qualities of the Proton and a certain Malaysian pride in what is called "the national car", sales would be lower without protection.

Proton also has cost advantages in export markets. Under the European Community's generalised system of preference (GSP), Proton has full exemption from UK import duties. Continued GSP status is vital for Proton's UK sales.

Mitsubishi, the Japanese conglomerate, has played a big role in Proton's success. Initially, Mitsubishi had a 30 per cent stake in the company, the rest being controlled by Hicom, the Malaysian government's heavy industrial holding company. With various restructurings and the recent flotation, Japanese involvement in Proton has dropped to around 30 per cent, with the government still controlling just under 50 per cent.

Proton's latest model, the Catalyst, in Birmingham

Japanese management and technology is central to Proton. Some key management positions are still held by Japanese. But there are disagreements between the Malaysians and Japanese.

The Proton is based on Mitsubishi's 1984-88 Lancer model. The Malaysians are said to be increasingly frustrated by their Japanese partners' tardiness in transferring technology.

Mitsubishi is said to be unhappy with Proton's export drive: it threatens Mitsubishi's own car sales in some markets. The Malaysian government has hinted that a big management shake-up is in the offing, with greater local control.

Some Japanese car plants produce more cars in a month than Proton produces in a year. Though Proton, with shop floor wages of only about M$500 per month, has labour cost advantages over competitors in Japan or Europe, sales of mass-produced cars are dictated by economies of scale.

"Proton has more or less reached market saturation at home," says one analyst. "To recoup its huge investment costs and to gain economies of scale it has to expand - and that means more exports. It's a very big challenge for a small carmaker."

Mr Ben Yeoh, general manager of Proton's business division, agrees. "We have to export. The domestic market alone cannot support our investment and production."

ALREADY Proton's margins are being stretched, particularly on exports. Mr Yeoh admits there are only small returns from UK sales. A Proton is now cheaper in the UK than in Malaysia, prompting criticism that the Malaysian taxpayer is subsidising British sales.

Perhaps the most serious challenge to Proton's future is a project for a second "national car". In collaboration with local partners, the Japanese Daihatsu group will manufacture a small car in the 600cc to 900cc range.

Again, the project is the brainchild of Dr Mahathir. There are worries about the domestic market's ability to sustain a second car manufacturing concern. The new car will be much cheaper than the Proton. Once again, the sceptics are out in force.

Suez down 72% in property slump

By David Buchan in Paris

SUEZ, the big French financial holding group, announced yesterday that the country's property slump had caused its profits to plunge by 72 per cent in the first half of this year to FFr500m ($104.6m), compared with FFr1.8bn in the same period of 1991.

Mr Gérard Worms, the group's president, said he saw no prospect of rapid improvement in the property market this year or next. The group raised its property provisions from FFr100m in the first half of last year to FFr1.9bn in the first six months of this year.

Suez also announced restructuring plans involving a bid for the rest of the capital of Compagnie Foncière Internationale (CFI), in which Suez holds 54 per cent, and the sale of its FFr40m majority stakes in two investment companies, Parthena and Astorg. CFI, a property investing and managing company, showed net profits of FFr194m last year.

Mr Worms claimed his group was facing up "more openly and more rapidly" to problems posed by the property slump - a result of persistent high real interest rates in the French economy - than other financial groups. By mid-1992, it had set aside adequate provisions to cover 10 per cent of its exposure in office property.

Before making these provisions, the group's results showed a 90 per cent rise in operating profit to FFr 3.2bn compared with a year ago.

Suez has had a poor return for several years on its majority stake in Société Générale de Belgique. But the Belgian conglomerate gave its French owners a 47 per cent increase in profit in the first half of this year, compared to the same period last year.

Suez's poor performance was expected from results already in from its subsidiary, Banque Indosuez, which Mr Worms said was plagued with property problems, and from Groupe Victoire, the insurance company in which Suez has a 52 per cent stake.

Banks welcome decision to repay Efim creditors

By Haig Simonian in Milan

FOREIGN bankers reacted positively to the announcement by the Italian government that it will repay in full creditors to Efim, the state holding company put into liquidation, and its wholly-owned subsidiaries.

The offer to pay all the debts should satisfy foreign banks, whose exposure is concentrated on Efim and its wholly-owned Nuova Safim financing subsidiary. However, one banker said "I've learned to be careful and I'd prefer to wait and see the full details."

Foreign institutions are believed to have lent around L4,000bn ($3.07bn) of the group's L9,500bn bank borrowings, with the remainder coming from domestic banks. The new proposal is expected to cost the Italian government L9,000bn, more than double the previous L4,000bn offer.

Precise terms of the repayment, expected to take place in the form of either bonds or cash, remain uncertain. "I want to know when we're going to be repaid, and in what form," said the banker.

Yesterday's announcement marks the Italian government's third, and, bankers hope, final attempt to resolve the affairs of Efim, which was put into liquidation by a government decree on July 18, when its finances were also frozen.

A second decree was issued in mid-August in response to bankers' criticism about the uncertainty surrounding their credits.

However, the amended version, which proposed issuing up to L4,000bn in bonds to cover Efim's debts, provoked a wave of attacks that interest payments on the bonds would be at well below market rates.

It has since emerged that Efim's total indebtedness is around L17,500bn, divided almost equally between bank and trade credits.

At a press conference in Rome last night, Mr Giuseppe Guarino, the industry minister, revealed that Agusta and Oto Melara, Efim's helicopter and missiles subsidiaries, would be transferred to the IRI state holding company, whose Finmeccanica subsidiary already controls a clutch of aerospace and defence interests.

The transfer would be a first step towards a definitive takeover by IRI, probably by its Finmeccanica aerospace and defence equipment arm, at a price still to be decided. Debts of the companies changing hands would be assumed by the government, which gave no indication of payback terms for creditors.

Wilhelmsen's earnings plunge

By Karen Fossli in Oslo

WILHELM Wilhelmsen, one of Norway's biggest shipowners, has reported a sharp drop in eight-month pre-tax profits to NKr84m ($14m) from NKr442m.

Turbulence in foreign currency markets, a weak dollar and depressed tanker market meant group operating profit fell to NKr378m from NKr185m.

Results of its new liner trade between the US and South Africa had been unsatisfactory but prospects were promising, it added.

Esselte back in the black

By Christopher Brown-Humes

ESSELTE, the Swedish office equipment group, returned to profit in the first eight months, as tighter cost control more than offset the impact of depressed markets.

The group reported income after financial items of SKr81m ($14m), compared with a SKr117m loss a year ago. Sales fell 14 per cent to SKr8.64bn, although in underlying terms the drop was just 6 per cent.

Cost-cutting helped operating profit double to SKr188m.

SA's Anglovaal and JCI show decline on variable gold price

By Philip Gawith in Johannesburg

LOWER grades and milling rates and a weaker gold price caused taxed profits to fall sharply during the September quarter at the four gold mines in the Anglovaal group.

Taxed profits fell to R25.9m ($9.20m) from R44.6m in the June quarter, mainly due to a 45 per cent fall in profits at Hartebeestfontein, the group's largest mine.

Gold production at Hartebeestfontein's main plant fell to 6,502kg from 6,864kg on a fall in ore milled and grade sliding to 8.6 grammes per tonne from 8.9 grammes.

Although unit revenue rose slightly, unit costs were higher at R28,187 per kg compared with R25,599 per kg.

This caused profits per kg of gold to fall to R3,137 from R5,298.

The group's troubled Loraine mine incurred another loss of R3.4m, the same as last quarter. This figure, however included R1.5m flowing from one-off retrenchment costs.

Meanwhile, the three mines in the Johannesburg Consolidated Investment (JCI) group produced more gold in the September quarter, but profits after tax and capital expenditure fell due to problems at the Joel mine.

Total gold production rose to 12.3 tonnes from 12.2 tonnes in the June quarter. A slightly higher gold price was offset by increased costs following the annual round of wage negotiations.

Profits after tax and capital expenditure fell by 12.2 per cent to R17.8m from R20.3m, due to losses of R8.1m at Joel.

● Randcoal, the South African coal-mining group, raised sales and profits in the year to September, but contrary to its April forecast, second-half profits did not match those of the first. Turnover rose 30 per cent to R1.62bn ($560m) from R1.24bn, and operating profits advanced rose 22 per cent to R306.8m from R251.9m.

INTERNATIONAL CAPITAL MARKETS

European markets advance on German rate cut hopes

By Richard Waters in London and Patrick Harverson in New York

MOST European bond markets advanced strongly yesterday as the Bundesbank appeared to offer further evidence of its intention to keep German interest rates falling.

The announcement that the central bank is reverting to variable rate repurchase agreement tenders, rather than the fixed-rate repos of recent weeks, was read as a sign that the Bundesbank wants money market rates to ease further – particularly in view of its clear signal to banks that it did not want the switch to be interpreted as a sign of higher rates to come.

GOVERNMENT BONDS

The result is widely expected to be a lower rate at today's weekly repo tender, down by 10 or 15 basis points from the previous fixed rate of 8.9 per cent.

In spite of the general euphoria in bond markets around Europe on the news, some observers cautioned against interpreting the change as a sign that German rates are set to fall sharply, pulling other European interest rates down in their wake.

"If they [the Bundesbank] had wanted to signal that, they would have moved the fixed-rate repo down from 8.9 per cent," said Mr Klaus Baader of UBS Phillips & Drew in London.

The Euromark futures contract jumped on the news, rising from 91.78 at the opening to end the day at 91.90. Longer-dated German bonds failed to hold on to early gains, however, as investors took profits after the recent advance in the market.

The bund futures contract on Liffe ended the day much where it began, at 91.54, having touched a high of 91.80 at one stage.

■ THE French bond market gained confidence from the move in Germany, helping to push overnight interest rates further down after a sharp fall on Monday. *Overnight rates* dropped to nearly 10½ per cent, having slipped below 11 per cent on Monday, as the market sensed the pressure of recent weeks was lifting from the French franc.

In spite of the fall, however, the French authorities have left the key 5-10 day rate at 13 per cent, where it has been for almost a month in order to *defend the currency.*

This interest rate is not likely to come back down to its more normal 10.5 per cent until the overnight rate has stabilised below that level, said Ms Marie Owens Thomsen, an analyst at Midland Montagu in London.

"They're being very cautious with the franc, and won't move too fast," she added.

OATs advanced on the day, with gains of up to half a point. This pushed the French/German yield differential down to around *100* basis points, a level below which it has not broken since the ERM tensions came to a head last month.

Lingering concern about the danger of a forced devaluation, and an emergency vote of confidence in the government due early next week, look likely to hold the yield spread at current levels, though any decisive break below 100 basis points is widely viewed as likely to lead to a tightening back towards pre-September levels, when it stood at around 60 basis points.

■ AFTER their sharp drops on Monday, longer-dated gilts bounced back yesterday on news that the UK money supply is growing less rapidly than expected.

Sentiment was also helped by a bounce in sterling, which jumped back to above DM2.46.

The market continued to push for another cut in the UK base rate after last Friday's one point reduction, with the December short sterling contract leaping from 92.84 to 93.07, *suggesting a base rate of* 7 per cent.

The steeping in the yield curve was less marked than on *Monday,* however, *as* longer-dated gilts also moved ahead.

Gains of around a point were seen at most maturities, with the long gilt futures contract on Liffe ending at 99.00, up from 98.06, on moderate volume of nearly 30,000 lots.

■ US Treasury investors continued to price a Democratic victory into bond prices yesterday as President George Bush showed no signs of eating into his challenger's substantial lead in the opinion polls.

In late trading, the benchmark 30-year government bond was down ⅜ at 95⅞, yielding 7.653 per cent. Losses were more pronounced among intermediate-dated securities, with *the 10-year note down* 1⅛ at 96¾, yielding 6.878 per cent, while the two-year note was ⅛ lower at 99⅞, yielding 4.338 per cent.

Prices weakened after investors judged that the president's performance on Monday night in the final presidential debate would not be sufficient to turn around his ailing campaign. Consequently, investors carried on where they left off last Friday and this Monday – selling bonds in anticipation of victory for Governor Bill Clinton. If he does win, the market believes the Democratic nominee will try to pass a growth-oriented fiscal package in the first few months of his presidency, which could push up interest rates and widen the budget deficit.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	108.3134	-0.260	8.73	8.86	8.90
BELGIUM		8.750	06/02	104.0500	+0.800	8.12	8.32	8.67
CANADA *		8.500	04/02	103.4500	-0.550	7.98	7.29	7.38
DENMARK		9.000	11/00	100.0750	+1.025	8.98	9.36	9.25
FRANCE	BTAN	8.000	03/97	100.8075	+0.636	8.30	8.72	8.78
	OAT	8.500	11/02	101.0800	+0.486	8.33	8.53	8.55
GERMANY		8.000	07/02	104.4350	+0.090	7.34	7.51	7.44
ITALY		12.000	05/02	90.8750	+0.875	14.221	14.88	13.98
JAPAN	No 119	4.800	06/99	104.4058	-0.051	4.72	4.72	4.84
	No 145	5.500	03/02	104.3582	-0.304	4.84	4.84	4.88
NETHERLANDS		8.250	09/02	104.5800	+0.370	7.58	7.68	7.83
SPAIN		10.300	06/02	87.7500	+1.750	12.53	13.16	12.46
UK GILTS		10.000	11/95	109-08	+24/32	7.32	8.29	8.91
		9.750	08/02	105-03	+1⅜	8.91	8.86	9.01
		9.000	10/08	99-23	+30/32	9.03	9.11	9.02
US TREASURY*		6.375	08/02	96-13	-41/32	6.88	6.61	6.58
		7.250	08/22	95-02	-34/32	7.67	7.42	7.38
ECU (French Govt)		8.500	03/02	97.3700	0.830	8.91	9.27	9.32

London closing, *denotes New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT FIXED INTEREST INDICES

	Oct 20	Oct 19	Oct 16	Oct 15	Oct 14	Year ago	High*	Low*
Govt Secs	92.20	91.58	92.03	90.57	90.15	88.38	92.20	86.11
Fixed Interest	106.19	105.26	105.15	104.76	104.73	98.30	106.46	97.15

* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 108.46 (14/9/92), low 50.53 (3/1/75). Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

GILT EDGED ACTIVITY

	Oct 19	Oct 16	Oct 15	Oct 14	Oct 13
Gilt Edged Bargains	148.0	168.4	128.8	138.6	140.2
5-Day average	144.2	148.7	136.3	136.7	138.4

Indices: SE activity 1974

Ratings agencies complete merger

By Richard Waters

IBCA and Euronotation, the rating agencies, *yesterday* announced the completion of their planned merger, the first step to a possible Europe-wide agency to compete with US giants Moody's and Standard & Poor's.

The merger, under discussion since early this year, also involves the sale of 70 per cent in the new group to Centenaire Blanzy, a diversified French group.

The remaining shares remain with the managers of the two firms.

Centenaire Blanzy intends to sell on part of its shareholding to other European investors, broadening the base of the group to cover other European markets, principally Germany. Discussions have been held with Bertelsmann, the German publishing giant, and other media companies, IBCA said yesterday.

The plan to use IBCA and Euronotation as the base for a Europe-wide agency has developed in parallel with a separate move within Germany to create a rival to the US-based agencies.

That project, launched by a series of German banks and commercial companies, has yet to lead to a hard proposal for a new agency.

IBCA yesterday refused to comment on whether there had been discussions between *the German and Anglo-French* groups about the possibility of a link-up.

Centenaire Blanzy was controlled by the Suez Group and Victoire, the insurance company, until 1989, but no formal links remain, IBCA said.

● IBCA yesterday downgraded Barclays from AA+ to AA, citing the UK banking group's high loan loss provisions in the US and UK and exposure to the UK property and construction sectors.

Last week, Moody's, the US agency, announced that it had put Barclays and National Westminster under review for a possible downgrade.

Moody's had already cut Barclays from a AAA to AA1 in May this year.

Investors scramble for UK's first D-Mark Eurobond issue

By Tracy Corrigan

THE UK's first Eurobond offering in D-Marks – and the *largest to date in the sector by* a substantial margin – prompted a burst of frenzied activity as investors rushed to *take part in the transaction.*

The DM5.5bn five-year deal, arranged by Deutsche Bank, was substantially oversubscribed, underwriters said.

The success of the deal marks a further step in the development of the D-Mark bond market, which is enjoying a vogue as one of the few bond markets where large financings can be completed.

The D-Mark sector, benefiting from a flow of funds into a "safe haven", seems set to fill the void left by the defunct Ecu bond market, and the creation of such a liquid benchmark will further the cause.

The only room for potential conflict is the question of where liquidity will be concen*trated. Frankfurt-based* German banks are suddenly facing fresh competition from London-based international investment banks, which are drafting *traders into the D-Mark Euro*bond market.

In either case, the competition *to dominate the market is likely to help boost secondary*

INTERNATIONAL BONDS

market liquidity, which has been poor in the past.

Last week's DM2.5bn issue for Sweden helped set the tone for the UK transaction. The *five-year deal, launched at a* spread of 45 basis points over the comparable German government bond yield, has tightened by five basis points. However, the initial pricing was widely seen as quite generous, in order to take account of Sweden's large funding needs.

The pricing of the UK's five-year deal proved a pleasant *surprise for some market par*ticipants, who had been expecting a more aggressive approach. Last week, as bidding for the mandate intensified, *some banks were offering* to launch the deal at a spread of five basis points over the comparable German government bond yield.

However, the deal was announced yesterday with an indicated yield spread over the 8¼ per cent five-year BOBL – short-dated German government bond – of 10 to 12 basis points.

Although the deal is not officially priced until today, the spread will be fixed at the *lower end of the range, at 10* basis points, due to strong demand. Some dealers said the issue could have been completed a couple of basis points tighter, but others suggested a double-digit margin was necessary to ensure the success of a deal of this size.

Of the total issue size of DM5.5bn, DM500m is being *kept back by the Bank of* England to lend for repurchase transactions, which help ensure liquidity in the secondary market.

The DM5.5bn deal forms part of the UK's Ecu10bn multi-currency funding programme announced in September in a bid to support sterling in the *foreign exchange market. Since* sterling has been suspended from the ERM, negating the original function of the programme, the proceeds will be used to repay short-term debt incurred through foreign exchange intervention.

The first part of the financing consisted of a multi-*currency revolving credit facili*ty totalling Ecu5bn, drawn down in D-Marks and then sold for sterling. Following the D-Mark bond offering, a further Ecu2.5bn of funding remains to be completed by the end of the year. The government is also likely to refinance the Ecu5bn loan with an interest rate on drawings of ⅛, in the bond market, where finer terms are available.

The UK is one of a growing band of European countries *facing increasing borrowing* needs. As well as needing to replenish foreign exchange reserves and repay the Bundesbank *for its help in foreign* exchange intervention, recession has increased the amount of borrowing required to fund budget deficits in some countries.

In addition to Sweden's offering last week, Norway, Finland, Belgium, Spain and Italy are among the countries considering tapping the German *market. Denmark is believed to* be preparing a $300m three-year transaction, for launch as soon as today.

In the Swiss bond market, the European Investment Bank launched a SFr500m eight-year issue, which will provide a new benchmark and will be traded in Zurich and London. The deal was arranged by Swiss Bank Corporation.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Kissel Pharmaceutical(a)♦	100	1.5	100	1998	2¼/1½%	Daiwa Europe
VVP Holdings Corp.	70	9	98.67	1997	1%	Santander Inv.Bk
Daewoo Electronics Co.(b)§	50	(b)	100	2007	2½/1½%	Nikko Europe
FRENCH FRANCS						
Alcatel Alsthom	*1.8bn*	*8.75*	*100.27*	*1999*	*1⅞/1%*	*Société Générale*
SWISS FRANCS						
European Inv.Bank	500	6.25	102.25	2000	-	Swiss Bank Corp.
Kommuninvest I Orebro Län	150	6.5	101	1997	-	Crédit Suisse
Keihan Elec.Railway(a)♦	100	2.5	100	1996	1⅛/1½%	Nikko Bk(Switz.)
Chugoku Marine Paints(c)♦★★	70	2.5	100	1996	-	Citibank(Switz.)
Ag Ajikawa Corp.★★	10	6.625	101.125	1997	-	DKB(Schweiz.)
LUXEMBOURG FRANCS						
IKB Deutsche Industriebank	3bn	8.5	102.125	2000	2/1¼%	Paribas Lux.

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. a) Final terms fixed on 26/10/92. b) Final terms fixed on 22/10/92. Coupon indicated at 3½-4%, conversion premium at 6-7% and put option on 4/11/97 to yield 7½-8%. Callable from 4/11/93 at par. No redemption before 5/11/97 unless closing stock price ≥ 140% of conversion price for 20 days. c) Final terms fixed on 26/10/92. Exercise price may be revised down by up to 20% if the average closing share price from 7-11/11/94 is below the exercise price.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 20

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107	107¼	-⅛	4.90	COPENHAGEN TEL 8 5/8 96 LFr	600	96	97		10.11
ALBERTA PROVINCE 9 3/8 95	600	110	110½	-⅛	5.67	ECSC 7 3/4 94 LFr	1000	98	99		9.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	69	2	6
Other Fixed Interest	9	2	4
Commercial, Industrial	357	178	886
Financial & Property	284	64	458
Oil & Gas	30	15	40
Plantations	2	1	6
Mines	38	11	98
Others	47	35	22
Totals	836	308	1,520

LONDON RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Covd.	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1992 High	1992 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. date	1992 High	1992 Low	Stock	Closing Price p	+or-
17	Nil	18/11	1½pm	¾pm	♦EIT	1½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. R Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. † Introduction. ‡ Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares.

TRADITIONAL OPTIONS

● First Dealings Oct. 12
● Last Dealings Oct. 23
● *Last Declarations Jan. 14*
● For settlement Jan. 25

3-month call rate indications are shown in Saturday editions.
Calls in **Albert Fisher, Babcock,** ***Charles Baynes and Rhino Group.***
Double in **Rhino** Group.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Allied Lyons (*630)	600	37	52	65	3	17	27
	650	4	25	38	23	43	48
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse (*144)	160	2	8	10	19	23	24
Trafalgar (*86)	80	9	15	18	2	7	10
	90	3½	9	14	7	13	16
Utd. Biscuits (*319)	300	15	29	35	3½	8½	20
	330	2	14	20	19	26	36
Unilever (*1090)	1050	38	70	90	5	22	30
	1100	8½	42	61	24	43	52

Option		Nov	Feb	May	Nov	Feb	May
Brit Aero (*129)	110	26	36	38	6	13	21
	120	21	30	33	10	18	26
	130	15	26	29	14	26	32

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
BAA (*752)	700	60	77	93	7	17	25
	750	26	47	64	24	37	45
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barclays (*313)	300	29	39	40	13	24	27
	330	15	24	26	30	42	45
	360	7½	14	16	52	65	66
Blue Circle (*136)	130	17	24	27	9	15	19
	140	13	18	23	14	19	26
British Gas (*256)	240	24	30	32	4	7	13
	260	10	18	20	11	15	21
Dixons (*207)	200	18	27	34	10	17	20
	220	10	18	24	22	26	29
Eurotunnel (*370)	360	32	48	60	26	35	41
	390	18	36	48	43	54	61

Option		CALLS				PUTS			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO FT-SE INDEX (*2617)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2617)

CALLS								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	-	345	-	273	-	210	-	155
PUTS								
Nov	10	15	18	26	36	54	77	108
Dec	17	20	27	35	48	65	88	118
Jan	23	28	37	48	63	80	100	130
Feb †	30	40	50	60	78	95	115	140
Jun	-	70	-	95	-	130	-	175

October 20 Total Contracts 38,097
Calls 24,388 Puts 13,709
FT-SE Index Calls 3,690 Puts 6,752
Euro FT-SE Calls 176 Puts 664
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Oct 20	Day's change %	Mon Oct 19	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	127.56	+0.50	126.92	1.45	10.69
2	5-15 years (25)	143.10	+0.98	141.70	1.26	11.85
3	Over 15 years (8)	147.57	+0.92	146.23	2.13	9.97
4	Irredeemables (6)	167.33	-0.11	167.51	4.21	8.83
5	All stocks (61)	139.95	+0.81	138.83	1.47	11.42
	Index-Linked					
6	Up to 5 years (2)	179.46	+0.24	179.03	0.22	3.68
7	Over 5 years (10)	162.81	+0.17	162.53	0.70	4.04
8	All stocks (12)	163.89	+0.18	163.59	0.64	3.96
9	Debs & Loans (62)	118.90	+0.89	117.85	1.86	10.11

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 20	Mon Oct 19	Year ago (approx.)
	British Government				
1	Low	5 years	7.24	7.37	8.84
2	Coupons	15 years	8.53	8.63	9.59
3	(0%-7¾%)	20 years	8.83	8.90	9.59
4	Medium	5 years	7.59	7.79	9.86
5	Coupons	15 years	8.95	9.08	9.76
6	(8%-10¾%)	20 years	9.22	9.32	9.71
7	High	5 years	7.83	8.01	10.06
8	Coupons	15 years	9.26	9.39	9.86
9	(11%-)	20 years	9.38	9.48	9.77
10	Irredeemables	†	9.25	9.23	9.78
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.02	3.09	3.82
12	Inflation rate 5%	Over 5 yrs.	3.91	3.92	4.23
13	Inflation rate 10%	Up to 5 yrs	2.20	2.26	3.17
14	*Inflation rate 10%*	Over 5 yrs.	3.72	3.73	4.05
15	Debs &	5 years.	9.92	10.12	11.49
16	Loans	15 years	10.32	10.47	11.30
17		25 years	10.44	10.53	11.11

† Flat yield.

Cost controls help McKechnie gain 21%

By Andrew Bolger

TIGHT COST controls helped McKechnie, the restructured international plastic and metal components group, increase pre-tax profits by 21 per cent to £24.1m in the year to the end of July.

The West Midlands-based group, which in the previous year sold its European metals businesses for £54m, said the result had been achieved in spite of the recession continuing to affect most of its markets – and deepening in some areas.

Mr Vanni Treves, chairman, said: "There is as yet little sign of recovery in our major markets and we do not anticipate one before our next financial year at the earliest."

Turnover fell by 5 per cent to £286m, although sales by continuing businesses were constant. Profit before interest rose 3 per cent to £24.5m, but the underlying improvement from operating sources was a gain of 11 per cent, reflecting increased margins and non-operating gains made in the prior year.

In spite of higher capital expenditure of £17.2m (£14.3m), the group said strong cashflow had eliminated gearing. Interest payable fell from £3.75m to £415,000.

Sales of plastics increased slightly to £142.5m, in spite of a 12 per cent drop in turnover from the vehicle components' division. However, restructuring and technology costs reduced pre-interest profits from £10.3m to £8.5m.

Tony Andrews

Vanni Treves: no sign of recovery in main markets

Although sales in consumer products were down 7 per cent to £48.7m, profit before interest was up 8 per cent, from £5m to £5.4m.

Specialist products saw turnover fall as a result of prior year disposals, but improved pre-interest profit by 26 per cent, from £8.4m to £10.6m. There was a substantial profit recovery by the Pacific metals companies as a result of cost reductions and better margins, rather than higher volumes, and this improvement was expected to continue.

Earnings per share rose to 20.7p (17p). An unchanged final dividend of 9.75p maintains the total at 14.75p.

● COMMENT

Having focused on plastics, McKechnie has done well to squeeze costs and improve margins in adverse trading conditions. The group wants to make acquisitions in continental Europe and North America, but has been deterred by the prices asked. Forecast pre-tax profits of £26m next year put the shares, up 8p to 326p, on a multiple of 14.5. They seem fairly priced given the immediate outlook, but investors looking for a longer-term recovery play might be attracted by the clean balance sheet and deftness the management has demonstrated in following its stated strategy.

Marine Midland maintains recovery

By Paul Taylor

MARINE MIDLAND Bank, Hongkong and Shanghai Bank's US subsidiary, yesterday reported third quarter net earnings of $29.9m (£17.3m) compared with losses of $56.9m in the same period last year.

The latest results represent the third consecutive quarter of profits and lift nine month net earnings to $73.5m compared to net losses of $166.2m for the first nine months of 1991.

Mr John Bond, Marine Midland's president and chief executive, said the bank had continued to make "solid progress" in the third quarter, especially given that second quarter net earnings of $41m were bolstered by some non-recurring recoveries from the group's problem asset portfolio.

Total interest income in the third quarter was $274.8m, down from $348.9m.

Operating expenses, excluding restructuring and credit-related costs were $171.6m, compared with $173.8m in the second quarter and $191.7m a year ago.

Credit related expenses, including a $10.2m provision for loan losses, were $44.8m, down from $96.3m in the 1991 third quarter.

Non-accruing loans fell by 19.3 per cent to $759.8m or 7.84 per cent of loans outstanding from $942m or 8.03 per cent a year earlier.

Wolseley surprises with 14% rise

By Angus Foster

SHARES IN Wolseley, the heating and plumbing distributor which owns the Plumb Centre chain, yesterday rose 64p, or 19 per cent, to 408p after the company announced higher than expected profits.

Pre-tax profits increased some 14 per cent to £91.3m in the year to July 31. Analysts had expected £70m and Mr Jeremy Lancaster, chairman, said the company forecast a lower figure. "These results took us somewhat by surprise," he said.

The group was helped by a second-half upturn on the US East Coast, a better-than-expected £7.9m contribution from Brossette, the French company acquired in February, and a 49 per cent increase in operating profits from a streamlined manufacturing division.

But Mr Lancaster remained cautious. He said France was weakening and no improvement was expected in the UK.

Turnover increased 12.5 per cent to £1.95bn, mainly due to the inclusion of Brossette and a strong performance by two of the company's four US subsidiaries.

Ferguson, which operates throughout the East Coast, increased profits 34 per cent and saw record sales in July as lower interest rates brought signs of recovery. But there was no improvement in California, where Familian recorded its first-ever trading loss. Overall US operating profits increased 3.2 per cent to £22.5m.

The UK was affected by recession and margin pressure. Plumb Centre sales were flat, Builder Centre was weak and plant hire lost money. In spite of Brossette's inclusion operating profits from the UK and France fell 4 per cent to £38.4m.

Manufacturing, which has been overtaken in size by Wolseley's distribution business, increased profits from £17.1m to £25.5m, of which £2.3m came from released provisions. The figures were helped by the disposal of two loss-making subsidiaries. Car aerial and pump manufacturing performed well.

Wolseley said cash flow remained strong. In spite of taking on about £30m of borrowings with Brossette, net borrowings fell almost £9m to £58.9m, giving gearing of 17.2 per cent.

Earnings per share increased 13 per cent to 26.27p. A final dividend of 9.45p is proposed, to make a total of 12.55p, up 3.7 per cent.

At the interim stage, Wolseley's profits fell from £38m to £33.7m pre-tax.

See Lex

Honeymoon over at SmithKline

The merged group must now increase sales, reports Paul Abrahams

THE MERGER is complete, says Mr Bob Bauman, chief executive of SmithKline Beecham, the Anglo-American group formed by the fusion in 1989 of the US group SmithKline Beckman and the UK's Beecham Group. The combined group can no longer drive up earnings through cost savings. Now, says Mr Bauman, the company must show it can generate growth through volume.

As long as recession continues, SmithKline Beecham's growth must come from pharmaceuticals. For the first nine months this year, profits at animal health fell 14 per cent to £39m, while consumer brands rose only 2 per cent to £168m. In contrast, operating profits in pharmaceuticals grew 9 per cent to £567m.

However, the group's biggest-selling drug, the blockbuster ulcer treatment Tagamet, is under pressure. In Europe it is suffering from competition from a new generation drug, Losec, marketed by Astra, the Swedish group. Last April its price was cut in Japan by 15 per cent and in the US its patents expire in 1994.

Mr Bauman says the pharmaceuticals business' success will be determined by the group's ability to defend existing products like Tagamet; its capacity to bring new products aggressively to market; and finally whether the company picks the right drugs from small pharmaceuticals and biotechnology groups which it can then market.

So far, the group is defending Tagamet highly successfully. The drug's US sales actually increased 2.5 per cent by value during the first nine months, according to Mr Hugh Collum, finance director.

Once Tagamet's US patents expire in 1994, generic versions will reduce its sales by between 30 and 50 per cent within two years, according to Mr Bauman.

However, Mr Bauman hopes to have approval from the Food and Drug Administration to sell the drug over the counter (OTC) with a doctor's prescription. The company has just set up an OTC partnership with Marion Merrell Dow of the US. He warns, however, that earnings are unlikely to be enhanced even if Tagamet receives approval in 1994, because of the high marketing costs associated with an OTC launch.

In the longer term, the challenge for Mr Bauman is to ensure SmithKline Beecham's development pipeline is strong enough to replace Tagamet and still drive earnings growth.

The company is investing heavily in research and development, spending £430m last year. It has recently announced a reorganisation of its R&D activities.

Mr Bauman explains: "We were undertaking too much in the past. We were developing over 70 different compounds for 100 different indications. We have now reduced the number to 30 molecules."

The company aims to bring products to market two to three years earlier than before. Mr Bauman explains: "If there is one area where you can get a competitive advantage, it is the speed that you take a product through to market. Sales and profits arrive earlier and the life of the product before its patent expires is extended."

The group is also on the look-out for innovative drugs from other companies that it can co-develop and market. The most successful drug acquired in this way looks likely to be Seroxat, an anti-depressant known in the US as Paxil. Brokers County NatWest believe the drug, licensed from Ferrosan, a subsidiary of Novo Nordisk of Denmark, could generate sales of $450m (£262m) by 1995.

The other new drugs on which SmithKline Beecham's future is based include Relafen, an anti-arthritis drug with 10 per cent of the US market by value since its launch in February; Kytril, the anti-nausea treatment; and Engerix B, a hepatitis B vaccine.

Mr Bauman stresses the strength of SmithKline Beecham's marketing skills. There were more than 110,000 visits to general practitioners in May for the US launch of Relafen.

The jury is still out on the transition to an organically driven growth business. Some operations, such as animal health, continue to perform poorly. Mr Collum explains there are six companies in animal health with about 15 per cent each. He expects to see rationalisation. It is a core business, but its nature is likely to change.

Meanwhile, some of SmithKline Beecham's drugs are set to come under pressure. Relafen will face renewed competition from Voltaren, a product marketed by Ciba-Geigy, the Swiss group. Engerix B will come under increasing pressure from Recombivax, marketed by Merck of the US. It has been in short supply because of manufacturing problems.

Finally, Augmentin, SmithKline Beecham's antibiotic which could break the $1bn sales barrier for the first time this year, is being targeted by Eli Lilley's Lorabid.

The much-famed marketing skills of Mr Bauman and his company will be fully needed if the group is to replace Tagamet fully after its US patents expire in 1994, incidently driving SmithKline Beecham into the drugs industry's first division.

Wentworth suspended as results are again delayed

By Peggy Hollinger

SHARES IN Wentworth International were suspended at 3p yesterday as the plastic packaging company announced a further delay in the publication of its annual results.

Mr Robert Gill, who became chief executive in July, said the board had decided to suspend the shares because of the prolonged nature of an investigation into the company's past accounting practices.

"It has taken us longer to pull the pieces together than we had expected," he said.

Mr Gill said he hoped an announcement could be made within weeks rather than months. "There are still some uncertainties," he said.

He refused to comment on whether any charges would be brought against former employees.

Many of the accounting problems appear to have occurred since the company's 1989-90 results.

That was the year Wentworth merged its energy assets into a joint venture.

The value of the oil and gas business formed a significant part of the accounting problems, Mr Gill said.

He maintained that Wentworth's packaging businesses remained sound. They were "not without problems, but I believe these can be addressed by hands-on management," he said.

In August Mr Gill had warned that Wentworth would be unable to pay a dividend following the discovery of accounting practices which he described as "sharp" and "at the cutting edge".

Banque Indosuez is Wentworth's largest shareholder with a 61.3 per cent stake.

The bank found itself with the holding following a failed rights issue in 1990.

Farnell buoyed by ESD buy and organic growth

By Roland Rudd

FARNELL ELECTRONICS, the electronic equipment distributor, reported a 16 per cent increase in profits in the six months to July 31.

However, the sale of a non-trading subsidiary – taken as a non-recurring item – lifted profits by another £6.37m and pushed the pre-tax increase up to 64 per cent.

Profits, before the exceptional item, rose from £13.3m to £15.4m on the back of last year's acquisition of STC's distribution business, ESD Distribution, and a strong performance from Farnell Electronics Components, the group's main division.

Sales, helped by recent acquisitions, rose to £126.8m (£81.8m), while operating profits increased to £16m (£11.7m).

Electronic equipment manufacturing, which remains profitable, has been split into three divisions: power supplies; components and instruments.

Mr Richard Hanwell, chairman, said: "When I took over there were different trade names operating at different sites competing in different markets. Following an internal review of equipment manufacturing we have decided to refocus the division."

The interim dividend is increased to 2.8p (2.6p). Earnings per share, excluding the non-recurring item, increased to 7.5p (6.5p).

● COMMENT

Important as ESD's contribution has been to Farnell it should not overshadow the fact that within the midst of the deepest recession since the war, organic growth was still responsible for 7 per cent of the increase in pre-tax profits. The only black spot is the German operation which is likely to remain in the red for at least another six months. However, Germany notwithstanding, the group is still expected to make pre-tax profits of £36.5m, giving earnings per share of 18p. This puts the shares – down 3p to 312p – on a prospective multiple of 17.3. Given its UK performance the premium rating looks fair.

River & Merc Extra assets fall 21%

Net asset value of River and Mercantile Extra Income Trust fell by almost 21 per cent, from 102.3p to 81.07p per share, over the year to September 30 1992.

The result however, represented a slight recovery over the figure of 78.8p recorded six months earlier.

Net revenue declined to £2.61m (£2.71m) for earnings of 7.07p (8.31p) per share. Nevertheless, the total dividend goes up from 6.74125p to 7.875p with a fourth interim of 1.96875p.

Havelock Europa open offer

Shareholders in Havelock Europa applied for a total of 309,845 shares under the recent open offer, 3.09 per cent of the total available.

Havelock explained that the outcome was in line with expectations, as nine out of 11 of the principal shareholders took part in the placing and, therefore, did not apply for further new shares in the offer.

Shares not applied for under the open offer will be subscribed by placees who have undertaken to take the shares in full.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Edinburgh Inv ....int	2.85	Dec 3	2.85	-	8.05
Essex Furniture ....fin	1.5†	Nov 20	1.25	2.75	2.25
Farnell Elect ....int	2.8	Dec 8	2.6	-	5.8
Gerrard & Natl ....int	6	Dec 7	6	-	21
Hammerson Prop .....int	3.5	Dec 10	3.5	-‡	20.5
McKechnie ....fin	9.75	Jan 15	9.75	14.75	14.75
Pat'son Zochonis ......fin	9.2	Dec 8	8.25	11.45	10.4
River Merc Extra.......fin	1.96875	Dec 7	1.96875	7.875	6.74125
SmithKline ....int	2.075*	Jan 15	1.875	-	7.7
Wagon Industrial.......int	6.325	Feb 22	6.325	-	17
Wolseley ....fin	9.45	Jan 29	9	12.55	12.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Final of 6.5p forecast. *Third interim.

Wagon raises £31m for European acquisition

WAGON Industrial Holdings, the Telford-based engineering group, is to buy Polypal, a Belgian manufacturer of storage equipment, for £32.3m and finance the acquisition with a fully underwritten 1-for-4 rights issue at 335p, raising a net £30.8m, writes Paul Cheeseright, Midlands Correspondent.

The rights price is 25p below the lowest level at which the shares have traded this year. Yesterday they fell 13p to 398p.

The rights is also available to convertible holders on a 1-for-14 basis.

Wagon, which specialises in materials handling, precision engineering and automotive components, also announced a rise in pre-tax profits for the six months to September 30 to £8.52m, against £6.02m which was struck after £2m exceptional costs for factory rationalisation.

The interim dividend is maintained at 6.325p and an unchanged final of 10.675p is forecast on the capital enlarged by the rights issue of 9.89m shares.

Earnings per share came out at 15.08p (9.71p) basic or 14.56p (10.12p) fully diluted.

Polypal is the largest of the series of acquisitions Wagon has made since the beginning of the recession. It comes with £9m of net cash, but has been bought as a means of expanding Wagon's presence in the European materials handling sector.

It gives a complementary line of products, manufactured in Liege, and a distribution network in France, Germany and the Netherlands to supplement the existing Wagon presence in Spain and the UK.

In the half year to last June, Polypal's pre-tax profits were static at BFr92m (£1.8m) on turnover little changed at BFr881m.

Wagon expects it to contribute £1m to its 1992-93 pre-tax profits.

In the first half Wagon drew the benefit both of the cost cutting exercises for which it paid in 1991-92 and of the small acquisitions it has been making to bolster its existing lines of business. Turnover improved to £114.4m (£114m).

The company said that immediate market prospects were not encouraging.

After a demand spurt in the spring, UK orders had reverted to 1991 levels, while in continental Europe uncertainty remained after the effective revaluation of the D-Mark.

COMMENT

Wagon has ridden the recession with more aplomb than most. The record of quick adaptation and the quiet expansion of an ungeared business promise a lift in this year's pre-tax profits to about £19m against £14.1m in 1992. This makes the rights issue, supported by a forecast maintained dividend look fairly priced. Earnings per share on the enlarged capital should come out at about 25.5p, compared with 23.79p, putting the shares on a prospective p/e of 15.5. This may look slightly high for the sector, but then Wagon is faring better than most of its peers.

Investing in a route through recession

Paul Cheeseright charts the progress of two West Midlands engineering groups

WAGON Industrial Holdings and Triplex Lloyd, two West Midlands engineering groups, have been trying to invest their way out of recession.

Their experience, based on the policy of becoming strong companies in often quite narrow sectors, indicates the manner in which medium-sized groups have been re-positioning in international markets.

Yesterday, Wagon demonstrated the execution of that policy with the announcement of the purchase of Polypal.

Despite declines in turnover in the year to the end of last March, to £229.5m for Wagon and to £167.2m for Triplex Lloyd, and falls in pre-tax profits to £14.1m for Wagon and £7.06m for Triplex Lloyd, the expansion of both groups has not passed unnoticed.

Wagon's shares have been trading recently in the middle of the 1992 range and those of Triplex Lloyd have been at the bottom of their range, but the two have won the approbation of stockbroking analysts.

Albert E Sharp has recommended its clients to buy Triplex Lloyd. "Focus on castings increasing and prospects encouraging; property could provide cash for future expansion." It suggested clients should hold Wagon. "Good management in recession means a much reduced cost base and strong balance sheet."

The two groups have in common the manufacture of automotive components and precision products but thereafter their interests diverge. Wagon has its materials handling business, Triplex Lloyd is active in the power and building products sectors.

Since April 1990, Triplex Lloyd has bought six companies, five for cash totalling £11.6m and one for shares, the issue of which generated £5.6m cash. Wagon, before yesterday's purchase, the largest of the present series, had spent £6.7m in 1990-91 on four companies, £1m on three companies in 1991-92, and, during the present financial year, £4.73m on six companies.

None of the acquisitions represented a departure from existing lines of business. Rather, Wagon and Triplex Lloyd were able to exploit the poor business climate by, in some instances, buying companies at knock-down prices from the receiver, in order to fill gaps or to expand their product ranges.

The series of isolated purchases sprang out of plans made during the early part of the recession, which has lasted longer than either anticipated.

Mr John Hudson, Wagon's chief executive, said that in 1989 the company thought it was heading for recession with £24m of debt. It was decided to sell the office furniture and steel operations.

"That wiped out the debt. It generated £12.5m of cash. We took the view we would run through recession with a strong balance sheet."

Triplex Lloyd's key decisions were taken in 1990, said Mr John Foley, the finance director. At that time the group had four divisions, automotive and engineering, power, building products and electrical engineering.

"We began to look at our capital requirements in some detail. We decided that notwithstanding gloom in building products and engineering, we saw growth in power and automotive if we became more efficient."

The first result was the sale of the electrical engineering business for £13.2m.

Both groups, then, began the recession with a disposal which, in their different ways, provided a financial springboard for expansion of, and concentration of resources on, the remaining businesses.

But there was one caveat. Triplex Lloyd has not sought to expand its building products group. It has tended to nurse it along, stripping out overheads and keeping it profitable, the better to concentrate on investment in its power and automotive businesses.

Although both companies approached the recession along broadly the same lines, emphasising a simultaneous approach of cost-cutting and development, their financial approach has been different.

Wagon has stuck with the policy of remaining cash positive. At the end of last March it had net cash balances of £14.8m. Financing the acquisition of Polypal through an equity issue is consistent with this policy. The fact that Polypal has cash balances of £8m increases Wagon's ability to expand without resort to debt.

Triplex Lloyd on the other hand has had a more relaxed approach to debt. This is partly because it has extensive property holdings of surplus industrial land that, even in the present depressed markets, provide an asset backing for borrowing.

Gearing increased during 1991-92 to 45 per cent and remains high, Mr Foley said, "because we are continuing to invest. The only way to get it down is in lumps, disposing of land or of businesses."

These financial approaches point to differences in management style. Triplex Lloyd changed after July 1991, following the death of Mr James Doel, the chairman, and the appointment of Mr Colin Cooke as his successor.

The group became more outward looking, according to Mr Foley, with an attempt to achieve greater understanding of the market. "Effective and creative marketing must become the driving force," Mr Cooke told employees last March.

For its part, Wagon has announced a series of management changes, with the appointment of Mr Kevin Wilson as group managing director, reporting to Mr Hudson, and a series of internal changes.

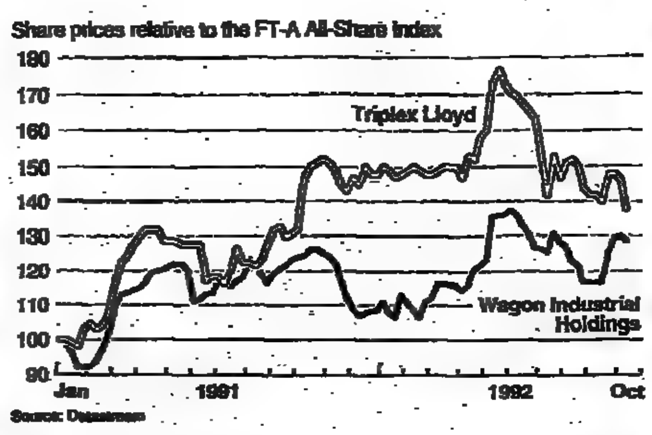
These reflect, Mr Hudson said, "the emerging realisation that the 1990s will be very different" and that there is a need for more hands-on management of the group's subsidiaries. Wagon is reconciled to slow economic growth.

"I'm clear you have to do well whatever you do," said Mr Hudson of his diversified group of companies. "If they're not strong players in their niches you've got problems. You've got to be international. You've got to have common sense in your earnings profile."

Mr Foley, looking into the future and considering the technological advances Triplex Lloyd has been making in its casting operations, takes a similar view.

"We want to re-position so as to serve the growth markets and to beef up the size of those operations which serve the growth markets."

John Hudson: maintaining a strong balance sheet



Source: Datastream

Colin Cooke: initiated new management style

Edinburgh Trust shows little change at halfway

By Paul Taylor

EDINBURGH Investment Trust, the second largest investment trust in the UK, yesterday announced an unchanged interim dividend of 2.85p and reported a modest 0.4 per increase in net assets per share.

Portfolio performance lagged the FT-A All-Share Index, which posted a 2.9 per cent gain in the six months to September 30, but was ahead of the FT-A Investment World Index, which fell by 0.5 per cent.

Investment income fell by 13.8 per cent to £20.9m (£24.3m) reflecting the reduced exposure to the UK in the early part of the year, as well as sales of foreign bonds and dividend cuts by some UK companies.

This decline was partly offset by higher interest on deposits which grew to £3.57m (£2.4m) and total revenues slipped by 7.5 per cent to £24.8m (26.8m).

Pre-tax revenues fell to £17.6m (£19.1m) while earnings per share have dipped from 4.69p to 4.57p.

In the past six months the group said further funds had been invested in both the UK equity market and the gilt market in anticipation of lower interest rates.

At the end of September the geographical split of the equity portfolio, which was valued at £777.4m, was as follows: UK - 65.8 per cent; North America - 9.4 per cent; continental Europe - 12 per cent; Japan - 7.6 per cent; other Far East - 5.2 per cent.

Net assets at September 30 were £749.1m, equivalent to 254.9p per share, against an adjusted 253.9p at the end of March and 273.6p at the end of September 1991.

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NEWS DIGEST

46% rise for Essex Furniture

ESSEX FURNITURE, the Leigh-on-Sea based manufacturer and retailer, expanded pre-tax profit by 46 per cent in the year to June 30.

From turnover ahead 52 per cent at £7.15m (£4.69m) trading profit rose 49 per cent to £696,000 (£468,000). Interest charges were cut to leave the pre-tax balance at £727,000 (£497,000).

Mr Michael Franks, chairman, said five new showrooms were opened in the year and in the current term it was intended to add at least three more.

Despite the difficult trading environment the first quarter of the current year had shown growth in all areas.

The head office and factory was large enough to support present trading levels but the time had come to evaluate moving into larger premises, he said.

Earnings per share were 5.03p (3.25p) and the final dividend is 1.5p on capital increased by the May rights issue, to make a total of 2.75p (2.25p).

Management buys Whitbread offshoot

Homark, a maker of beer and wine dispensing equipment, has been bought by its management from Whitbread.

Financial support has been provided by 3i and Bank of Scotland.

Homark, founded in 1963, has recently extended its factories to include a fifth site in Parkstone, Dorset.

Joint venture plans for Ex-Lands

Ex-Lands, the property and leisure group, achieved pre-tax profits of £65,000 in the year to June 30, against losses last time of £8,000. Turnover fell slightly, from £1.28m to £1.25m.

Mr David Marshall, chairman, said the group's operations had expanded significantly during the year.

He said that two joint venture operations had been formed: Clubhaus, managing golf and real estate opportunities, with International Management Group, and Ex-Lands Uno Rildale, which aimed to expand the group's property base in Europe, with Uno Immobiliare of Milan.

Net asset value per share at June 30, incorporating the valuation surpluses arising on projects at the year-end amounted to 44.8p (39.1p).

Earnings improved from 0.06p to 0.1p per share.

CountyGlen in talks and dealings halted

Shares of CountyGlen, the Irish property investor and trader, were suspended at 60p yesterday following the announcement that it was selling a property and was in talks which might lead to an offer.

The company has received an offer of I£900,000 (£980,000) for a property. It will be recommending acceptance at an extraordinary meeting.

If agreed, the company would be left with cash, receivables and some property which is already on the market.

Canning disposes of polishing business

W Canning is selling the assets and goodwill of its polishing business to the Fuchs group of Germany for £1.5m at completion. The consideration represents an excess of £650,000 over net assets.

There will be additional payments for goodwill of up to £750,000 over the following five years, depending on profitability.

Fuchs has effected the purchase through Canning Lippert, its newly-formed UK subsidiary, which will combine the polishing side of W Canning Materials with Fuchs' existing polishing business.

Birkby buying two more mills for £2m

Birkby, the Huddersfield-based rental company, has bought two further mills for conversion. Cost of the acquisitions was £2.1m.

The purchases are former textile mills in Dewsbury and Rochdale.

COMPANY NEWS: UK

Costain strikes £123m deal with Peabody

By Andrew Taylor and Roland Rudd

COSTAIN, the UK construction group, has agreed to sell for $200m cash (£123m) its profitable Australian coal mining business to Peabody Coal, a subsidiary of Hanson, the Anglo-American conglomerate.

Peabody operates open cast and deep coal mines in the US, and is the second largest private coal producer in the world. It has been identified by Hanson as one of the core businesses it wishes to expand.

Peabody will also assume responsibility for borrowings, including capitalised lease obligations of A$120m (£53m). The sale price gives Costain a book profit of £92m.

The deal will lead to a substantial reduction in Costain's borrowings which, after the recent slump in the value of sterling, had risen to £344m. That included £52m of off-balance sheet loans due on the Spitalfields commercial property joint venture in London.

The debt was equivalent to gearing of more than 100 per cent based on shareholders' funds of £276m at the end of last year.

Gearing would then fall to about 50 per cent but, after substantial property write downs in the UK and Australia, it was expected to be about 70 per cent.

Mr Peter Costain, chief executive, said: "The deal will improve our financial position. A book profit of £92m is very good in the current market."

He said the Australian subsidiary made pre-tax profits of A$46m the 12 months to the end of June.

The purchase is the first large acquisition outside the US by Peabody, which last year made operating profits of $296m.

Mr David Clarke, chief executive of Hanson Industries, the conglomerate's North American arm, said: "This is part of a continuing programme of expanding our core businesses.

"We will wait and see what happens with British Coal. We will certainly look at it although privatisation is still a long way down the road."

There was "nothing incompatible" in expanding a core business, particularly in the US, while making opportunistic bids such as its £780m offer for Ranks Hovis McDougall.

Peter Costain: very good profit in current market

Guinness sheds weight with sale of Champneys

By Gary Mead, Marketing Correspondent

GUINNESS decided to shed some weight yesterday by selling Champneys, its up-market 170 acre health resort near Tring, Hertfordshire, for some £7m to a consortium led by two former Champneys directors.

Champneys' 1991 turnover was in the region of £5m.

Guinness, which paid £3m for the Champneys group, which included at that time another health spa in Scotland, in November 1984 – when Guinness was under the management of Mr Ernest Saunders – is selling Champneys to Mr Allan and Mrs Tanya Wheway, who managed it between 1972 and February 1989.

The Wheways are backed by the Bank of Scotland. Their partners in the venture are Mr Frank Chapman and Mr Bill Bruce, directors of Bio-Cure, an Aberdeen company involved in medical research. The Wheways parted company with Guinness in 1989 after disagreements over managerial policy.

Guinness – whose famous stout packs 200 calories per pint – said yesterday: "We decided this year we are not really in the health and fitness sector. But this is probably the last non-drinks business we will get rid of. The Gleneagles hotel is not for sale."

First opened in 1925, Champneys was formerly the country home of Baron de Rothschild. Its daily single occupancy rates start at £150 for a room with no bath and reach £695 for a suite. The resort has numbered among its past clientele Princess Diana, Demis Roussos and Ringo Starr.

However, occupancy rates have dropped recently, as Champneys, along with other UK health farms, has suffered from the recession.

The Champneys Club at London's Hotel Meridien and Champneys Spa at the Guinness-owned Gleneagles Hotel in Tayside will continue to be managed by Champneys; those contracts will run until the end of the decade.

Greenalls makes £86m cash call

By Philip Rawstorne

GREENALLS GROUP, the pubs and hotels operator, yesterday announced a £86m rights issue to help finance the expansion of its core businesses.

The cash call is being made through a 1-for-5 issue of 29.95m shares at 295p, a 17.8 per cent discount to Monday's closing price of 359p. The shares fell 15p yesterday to 344p.

Mr Andrew Thomas, chairman and chief executive, said that the recession offered opportunities to expand by acquiring quality assets at low prices. "We believe that the company should have the financial resources to take full advantage of these opportunities as they arise, while maintaining prudent debt levels and interest cover."

The issue will reduce gearing from 27.5 per cent to 14.5 per cent.

A rights issue had been widely expected since the group completed its transformation from regional brewer to national hotelier and pub operator earlier this year with the abolition of its two-tier share structure and the Greenall family's control.

The family now holds a 16.2 per cent stake which will be reduced to 13.5 per cent if it does not take up its rights.

Now one of the UK's largest independent pub operators with 1,400 outlets, Greenalls has this year spent £40m on extending and upgrading its estate. It has spent a further £16m in developing its 100 specialist food and accommodation pubs.

"We intend to focus further investment on the pub business through hand-picked acquisitions," said Mr Thomas. "We shall exploit the full retail potential of the estate rather than pursue beer sales alone."

The group also aims to develop its De Vere hotels operation into a leading four and five star chain, concentrating on the conference and leisure market.

This year it has acquired the Belton Woods hotel and golf complex for £10m, invested £10m in extensions to the Grand Hotel, Brighton, and opened another hotel at Swindon. Two more hotels will be opened at Leeds and Southampton in the next two years.

There are also plans to expand the off-licence chain, strengthened this year by the £20m acquisition of 187 Blayneys shops from Vaux.

Greenalls estimates that pre-tax profits for the year to September 25 will be not less than £63m, compared with last year's £64.1m.

Trading profits in the second half had been lower than the corresponding period last year as the business climate failed to improve, said Mr Thomas.

The fall in hotel profits had slowed as a result of improved occupancies but room rates remained under pressure. Pub profits had been affected by poor weather in July and August but showed a slight improvement in September.

The company forecast a final dividend of 6.93p, which will be payable on the rights shares, lifting the total from 11p to 11.77p.

Cazenove are brokers to the issue, which has been fully underwritten by Schroders.

See Lex

Paterson rise restricted by falling naira

By Peggy Hollinger

PATERSON ZOCHONIS, the soap and detergents conglomerate, yesterday announced a 64 per cent advance to £16.2m in operating profits for the year ended May 31 as Nigerian authorities stepped up the pace of debt repayments on foreign exchange transactions made in the early 1980s.

However, the 40 per cent devaluation of the Nigerian naira left Paterson with pre-tax profits only 5 per cent ahead at £26.6m on turnover of £227.3m (£215.1m).

Mr Alan Whittaker, finance director, said Nigerian authorities had made significant progress on repaying debts arising from the foreign exchange shortage of the early 1980s. The country had been unable to supply hard currency in exchange for the company's local earnings. Paterson, which wrote off the total debts of about £10m at the time, received £7.3m last year taken for now into operating profits, against £2.2m in 1991.

Return from associated companies, largely based in Nigeria, fell from £4.2m to £2.7m due to the fall in value of the naira. The devaluation affected the net asset value, which fell from 384p to 377p per share. Investment income suffered from lower interest rates and the decline in equities to fall by £5m to £13.3m.

Paterson is still sitting on a cash mountain of £157m. Mr Whittaker said the company continued to look for opportunities, although many better acquisitions had already been snapped up by leading groups. Paterson intended to stick with soaps and detergents and Mr Whittaker said it was likely the company would make several smaller acquisitions.

In trading terms, Paterson's businesses had been "very solid", Mr Whittaker said. In the UK, where Paterson's Imperial Leather brand of soap leads the market, Cussons had improved profits. Exports had also continued to advance.

There were some losses in south-east Asia, however. Mr Whittaker said the company's efforts there would be worthwhile in the longer-term.

The outlook for the first half was encouraging and the company promised that profits would not be less than last year. Mr Whittaker said Paterson should be able to regain investment income losses.

The final dividend is raised to 9.2p for a total of 11.45p (10.4p). Earnings were higher at 33.79p, against 32.19p.

Malaysian Smaller liquidation

The board of Malaysian Smaller Companies, a closed-end investment company, is proposing liquidation of the company, writes Philip Coggan.

The move comes in the wake of an alternative liquidation proposal by Buchanan Partners, a London-based investment firm. Two separate extraordinary meetings will be held on December 14 to consider the proposals.

The board says that a possible takeover offer by Credit Lyonnais International Asset Management had been withdrawn in the wake of the Buchanan proposal.

All-round improvement at Gerrard & National

By Paul Taylor

GERRARD & NATIONAL, the discount house and financial services group, reported increased interim profits and said all five main subsidiaries showed improvement.

The group, which does not provide detailed half-year figures, but has promised to prepare fully disclosed accounts for the current year, said profits in the six months to October 5 were good and declared an unchanged interim dividend of 6p.

Mr Brian Williamson, chairman, said Gerrard & National and Gerrard & National Securities, the marketmaking subsidiaries, faced turbulent conditions in the money and bond markets but made profits in both quarters.

In broking, GNI Holdings, the futures and options broker, had another successful six months and profits continued their upward trend.

Mr Williamson said Gerrard Vivian Gray, the stockbroker, also boosted profits in the six months to the end of July, while LM (Money Brokers) made good profits.

The improvement in earnings from the broking division in the last two years had been sustained through the period.

ICI paint side sells defence coatings to Courtaulds

IMPERIAL Chemical Industries' paints division is selling its European aerospace and defence coatings business to Courtaulds, the speciality materials group.

Terms were not announced. The operations employ a staff of 35 in the UK, France and Germany, and produced turnover of £5.5m last year.

ICI said the business represented less than 1 per cent of the group's assets.

"Bringing Courtaulds and ICI's aerospace and defence coatings businesses together will give us a presence in the EC's three largest aerospace coatings markets and enable us to provide a full service to the aerospace industry throughout Europe," said Mr Gordon Campbell, Courtaulds director responsible for the company's aerospace division.

Jenner Fenton takes 27.5% of Dutch broker

By Richard Lapper

JENNER Fenton Slade, the specialist marine and energy insurance and reinsurance broker, has acquired a 27.5 per cent stake in Kroller, the Dutch broker. The stake is valued at about £1m.

Jenner Fenton is co-operating with local Dutch investors in the deal. Halder Bank, a merchant bank, will own a 25 per cent stake and Bluemers, an insurance agency, a further 30 per cent. Kroller's existing management will hold the remaining shares.

The purchase, originally agreed in August, was completed last week.

Jenner Fenton, whose existing overseas operations are concentrated in Houston, Texas, hopes its involvement in Kroller will increase its opportunities in Europe.

COMMODITIES AND AGRICULTURE

Malaysia urges rationalisation of cocoa output

By Kieran Cooke in Kuala Lumpur

MALAYSIA HAS called on cocoa producing countries to rationalise output as part of a collective effort to shore up world prices.

Mr Lim Keng Yaik, Malaysia's primary industries minister, speaking at meeting of the Cocoa Producers Alliance in the Malaysian capital, said measures must be taken to bring down world cocoa stocks, which at present stand at 1.4m tonnes, equivalent to about seven months' consumption.

"Based on Malaysia's experience in natural rubber and tin, and now in cocoa, it is evident that we cannot rely on the consumers to support prices," said Mr Lim. "We have to tighten our belts."

Mr Lim said stocks should be brought down to around 600,000 tonnes.

The CPA groups 13 countries together accounting for more than 90 per cent of world cocoa output. Weak demand and high stock levels have caused world cocoa prices to drop from about $2,222 a tonne 10 years ago to less than $1,000 a tonne now.

Mr Lim said that cocoa production in Malaysia, the world's fourth largest producer, had been falling in recent years because of low prices. Mr Lim said the present supply surplus problem could be solved if there was goodwill and determination among all cocoa producers. Malaysian claims that the Ivory Coast, Ghana and Nigeria had already voiced support for cutting back on output could not be confirmed.

The CPA meeting here is a preliminary to further talks in Geneva next month between cocoa producers and consumers on a new International Cocoa Agreement.

Australian wheat harvest could be up 30 per cent

By Emelia Tagaza in Canberra

TIMELY RAINFALL in Australia's main wheat growing regions will help increase production to 13.8m tonnes for the current 1992-3 season, up 30 per cent on last year. The 13.5m tonnes of harvest is from an area of 9.1m hectares (22.5m acres).

The Australian Bureau of Agricultural and Resource Economics, the official forecasting agency, said, however, that continuation of the cooler weather conditions that prevailed in the spring could lead to a higher proportion of low protein wheat being produced.

Abare said the forecast of the Queensland wheat crop had been increased to 650,000 tonnes from the September forecast of 550,000 tonnes. That would be about 90 per cent higher than the drought affected crop of 1991-92.

Wheat production in New South Wales is forecast to be 2.9m tonnes, up 27 per cent.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,700-1,750 (1,650-1,720).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.65-0.75 (0.60-0.70).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 13.50-14.50 (14.50-15.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 135-150 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.10-2.20 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 45-57 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.80-2.00 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.75 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+4,975	to 1,384,700
Copper	+2,625	to 305,075
Lead	+3,625	to 181,775
Nickel	+975	to 53,708
Zinc	-75	to 376,425
Tin	-95	to 14,740

Setback for Dutch dung processing supporters

By Ronald van de Krol in Amsterdam

DUTCH LIVESTOCK farmers, facing calls for a forced reduction in their herds to cut back on manure-based pollution, have heard this week that manure-processing plants will probably not turn out to be the long-awaited solution to their dung surplus problem.

But there was also good news for one of the most successful sectors in Dutch agriculture: the dung "mountain" may not prove to be as big as once feared.

In a provisional and confidential report, the country's applied science research body TNO and Heidemij, a consultancy group, said the combined capacity of the Netherlands' manure-processing plants will not exceed 1m tonnes a year by the end of 1994, well below the government's target of 6m tonnes a year.

At the same time, the draft report, which was prepared for the government ahead of a definitive version due later this year, noted that processing manure into pellets for export was expensive, suggesting that the operations will be uneconomical. Until now, supporters of manure processing had said that the factories for converting surplus manure into exportable fertiliser would, at best, break even.

However, leaked extracts from the report also show that the manure surplus, which is defined as the amount of extra dung which cannot safely be absorbed by farmland, will be closer to 3m at end-1994 rather than the projected 6m.

Dutch farming organisations are pursuing a number of methods to reduce the manure surplus by making it less harmful. Among these are special equipment to inject manure into the soil rather than spreading it on top, reducing the amount of ammonia taken up into the air. Also specially-designed animal sheds that cut down on ammonia seepage are coming on to the market and Dutch farmers are experimenting with the composition of animal feed so that fewer undigested minerals and heavy metals remain in the manure.

Missing prices

We apologise for the omission of some commodity prices in later editions of yesterday's Financial Times. This was caused by technical problems on Monday night.

Peru tees off privatisation with iron shot

Next week's sale will set the tone for mine sector denationalisation, writes **Sally Bowen**

THE MOST likely new owner of Peru's state iron monopoly after bid envelopes are opened on 30 October is a multinational consortium headed by Chilean-based Compania de Aceros del Pacifico (CAP) along with Japan's Mitsubishi Corporation and a Mexican steel company owned by the Indian group Ispat.

CAP, a public company quoted on the Santiago stock exchange, is 30 per cent owned by the Swiss-based Stephan Schmidheiny group. Mitsubishi is a minority shareholder.

Next week's Hierro Peru sale marks the kick-off for privatisation of Peru's major mining concerns. The result will be seen as a barometer for coming sell-offs.

The Chilean-Japanese-Mexican consortium has been put together by Mr Pedro-Pablo Kuczynski, a former Peruvian mines minister and more recently a senior manager and privatisation specialist at First Boston. He is now chief executive officer at Nueva Management, the Miami-based subsidiary that will tend Schmidheiny's construction-related interests in Latin America.

According to Hierro Peru officials, half-a-dozen foreign consortia have expressed serious interest in bidding for the ailing iron concern which this year will produce some 2.6m tonnes of blast furnace pellets and sinter, about a third of its theoretical operative capacity.

Sale conditions require bidders, who have all gone through a prior vetting process, to come up with a cash minimum of $22m and commit themselves to investing $60m in sorely-needed updating of mine, plant and equipment. The eventual buyer must also assume undisclosed Hierro Peru debts, said to be in the region of $30m.

In its present state, Hierro Peru does not appear a particularly desirable prospect. The operation, operated by US interests under the name of Marcona Mining Corporation from first shipment in 1953 until the 1975 nationalisation by General Juan Velasco's government, was once a flourishing concern. In the early 1970s output peaked at almost 10m tonnes a year.

Since nationalisation, however, the installations have been allowed to deteriorate and output has slumped. The mine is now all but idle with most of its 2,000-strong workforce (reduced by 1,400 in the past year) on strike in protest at lay-offs and, unions claim, non-payment by employers of redundancy benefits.

Mr Emilio Zuniga, head of the small committee charged with selling Hierro Peru off to the private sector, says the company chalked up a book loss of $60m last year alone – almost the equivalent of this year's projected $67m sales.

However, as with most of the country's badly decapitalised mining sector, Hierro Peru's scrap heap appearance masks potentially rich pickings. The Marcona mine has some 600m tonnes of proven reserves. "Probable" reserves take the total to around 1.5bn tonnes with average grades of 54 per cent iron. Marcona iron pellets and sinter are internationally known and have well-established markets in the Far East, Mexico and the US.

Hierro Peru's scrap-heap appearance masks potentially rich pickings. Proven reserves are 600m tonnes and probable reserves 1.5bn tonnes.

Much of Marcona's attraction lies in its favourable geographical location. Some 265 miles (425 km) south of Lima, the mine is only eight miles from the deep water, Pacific coast port of San Nicolas, which, with minor improvements, is capable of handling 250,000-tonne cargo ships. No mine in the world is closer to a port, Hierro Peru officials claim. The climate too is favourable. Marcona's open pit mine can and does work 365 days a year.

Unlike the world's major iron deposits, Marcona ore is primarily magnetite rather than hematite. The high sulphur content associated with magnetite demands costly processing and plenty of fresh water – a scarce commodity in Marcona's desert setting. Investment in drilling wells and installing pumps to improve product quality is essential, say Hierro Peru officials, since Marcona pellets currently carry hefty penalties on the international market.

Earlier this year, Hierro Peru signed two long-term contracts with Kobe Steel of Japan and Imexsa of Mexico – the first for $90m over seven years, the second for $70m over three years. Almost half of this year's output will go to Korea, with 20 per cent to Japan and the remainder to the US and Argentina.

It is not clear whether the CAP-Schmidheiny-Mitsubishi bid will include a debt-swap element. Mr Kuczynski is a debt-paper specialist and Mitsubishi has an undisclosed amount of Peruvian debt-paper pending from construction of the northern oil pipeline.

In an interview with a Lima economic review, published yesterday, Mr Kuczynski underlined CAP's eagerness to expand its international interests in a field that it, along with its Mexican partners and Mitsubishi, knows well. He admitted that the investment climate in Peru was still uncertain but noted that "assets are cheap, reflecting the very high risk that exists."

If, as a highly experienced former Marcona manager predicts, production can swiftly be doubled with profits of "at least 30 per cent of sales", Hierro Peru begins to look an attractive option for the bolder investor.

Vietnamese turn to India for tea know-how

By Kunal Bose in Calcutta

WARREN TEA, a leading producer of Assam tea, has been given the job of developing Vietnam's export of black CTC (crush,tear and curl) tea.

The Union of Tea Enterprises in Vietnam will be making available to Warren four tea factories equipped with CTC machines to produce tea for the export market. According to Mr Vinay Goenka, managing director of Warren, it should be possible to produce about 3m kg of export quality tea at the four factories located within a radius of 250 km (155 miles) of Hanoi. Warren will be paid a commission of 4 per cent on export sales.

In preparation Warren has already produced samples of CTC tea at the Vietnamese factories and these have met with the approval of tea tasters and brokers in the UK and Germany, the two principal target markets. The feedback from the brokers is that at first the European consumers may have some reservation about the "origin" of this tea. This will be largely overcome if Warren can raise the quality of to a level that will allow it to market the product under its logo, which is registered in the UK.

Warren will start exporting Vietnamese CTC tea in volume next season. Tea plucking in Vietnam starts in mid-February and ends in November. According to Mr Goenka, Vietnamese CTC tea should fetch at least 70 per cent of Assam tea prices. The quality of Vietnamese tea leaf is good, but it has to be ensured that the tea arrives at the factory gate in a "healthy condition".

Moreover, there has to be a greater degree of control over the entire tea processing system from withering to packing, said Mr Goenka.

Warren has been told that it could also develop tea plantations in central and north Vietnam where large tracts of virgin land are available. The Tea Research Association of India has found the Vietnamese soil suitable for growing good quality tea. The present production of tea in Vietnam is about 40m kg a year – most of it green tea, of which Vietnam is already an exporter. The annual domestic requirement is about 18m kg.

Argentina to boost squid catch

By John Barham in Buenos Aires

ARGENTINA PLANS sharply to increase its catches in the South Atlantic of the lucrative Illex squid, in direct competition with the Falkland Islands, which rely heavily on the sale of fishing licences.

Mr Fernando Gutierrez, fisheries undersecretary, said yesterday that new regulations would allow up to 40 foreign-owned, special squid fishing vessels, known as jiggers, to operate in Argentine waters and catch up to 100,000 tonnes a year.

The decision is an important step towards liberalising Argentina's fishing industry. By law, only locally-registered vessels may fish in its territorial waters. However, the new regulations will allow foreign ships to operate on a "temporary charter" basis in association with Argentine nationals. Argentina lacks jiggar capacity of its own and hopes to increase its share of Illex catches by attracting Asian-owned vessels to its waters.

Argentina expects to catch only 60,000 tonnes of squid this year, up from 40,000 tonnes in 1991. In comparison, the Falklands expect to catch about 160,000 tonnes of Illex this year, 8.6 per cent less than in 1991.

The Falklands introduced a successful licensing regime after the 1982 conflict with Argentina. Squid licences – sold largely to Japanese, Taiwanese and South Korean companies – account for 75 per cent of the Falklands' annual licence revenue of £24m.

Mr John Barton, the Falklands' director of fisheries, warned that Argentina's decision would further depress already low Illex prices, and he added that increased fishing effort by Argentina could damage Illex stocks. The squid are very sensitive to environmental factors and over-fishing. Falling prices and the risk to the resource have led the Falklands to curtail fishing every year since 1989. Argentina, Britain and Falkland officials will hold a new round of their biannual fishery talks in London next month.

Sugar quota cut to cost Caribbeans $15m

By Canute James in Kingston

CARIBBEAN suppliers of sugar under quota to the US will earn about $15m less for deliveries in the current US financial year, following an 11 per cent global cut in US imports. Sugar industry officials in the region say that the latest reduction in US imports will reduce the region's cumulative quota for the year, which begins this month, to 276,341 tonnes.

Several beneficiaries of the Caribbean Basin Initiative, a US preferential trade programme, and the Generalised System of Preferences, are allowed to ship pre-determined quantities of sugar to the US duty-free.

The Caribbean exporters to the US are the Dominican Republic, Belize, Jamaica, St Kitts-Nevis, Barbados, Trinidad and Tobago and Guyana.

It is the second consecutive cut for the Caribbean holders of US quotas which were allowed to supply 471,710 in 1991.

WORLD COMMODITIES PRICES

MARKET REPORT

Most **BASE METALS** rallied above the day's lows in late trading on the LME as a flurry of technical buying and covering brought the recent slippage to a temporary halt. But although some modest consumer interest is emerging, the markets are unlikely to sustain much upward momentum. LME warehouse stocks increased in all but tin and zinc, taking the overall total to a fresh record of 2.326m tonnes. Three-month **COPPER** built on support below $2,250 a tonne, moving higher with New York. **ALUMINIUM** rose sharply as technical considerations outweighed IPAI production data showing September's daily average was 40,800 tonnes, the highest for a year, and 600 tonnes up on August. London's *January robusta* **COFFEE** contract equalled the recent six-month high of $868 a tonne before closing with gains fractionally pared. Dealers said the late rally was led by technical gains in New York which began when its nearby contract rose above 62.90 cents a lb.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$18.40-8.50	-0.1
Brent Blend (dated)	$20.65-0.70	-0.05
Brent Blend (Dec)	$20.70-0.80	-.025
W.T.I (1 pm est)	*$22.05-2.15*	*-.125*

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-219	-1
Gas Oil	$201-203	
Heavy Fuel Oil	$102-104	
Naphtha	$196-197	-1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$343.55	+0.8
Silver (per troy oz)♣	379.5c	+6
Platinum (per troy oz)	$361.00	+2.35
Palladium (per troy oz)	$94.75	
Copper (US Producer)	104.5c	
Lead (US Producer)	38.5c	
Tin (Kuala Lumpur market)	14.41r	-0.16
Tin (New York)	268.5c	-4
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	107.45p	-1.22*
Sheep (live weight)†♣	74.01p	-1.29*
Pigs (live weight)†	85.45p	+2.67*
London daily sugar (raw)	$228.0w	+1
London daily sugar (white)	$263.5w	
Tate and Lyle export price	£249.0	+1
Barley (English feed)	£132.375t	
Maize (US No. 3 yellow)	£141.0	
Wheat (US Dark Northern)	Unq	
Rubber (Nov)♥	60.25p	
Rubber (Dec)♥	60.00p	
Rubber (KL RSS No 1 Oct)	223.5m	
Coconut oil (Philippines)§	$485.0y	-5
Palm Oil (Malaysian)§	$402.5	-2.5
Copra (Philippines)§	$322.5	-2.5
Soyabeans (US)	£154w	+2
Cotton "A" index	52.70c	
Wooltops (64s Super)	401p	-10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar. y-Nov/Dec. u Dec. w-Oct/Nov. z-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	200.00	195.00	200.00	195.00
Mar	196.00	195.00	196.00	
May	200.00	199.20	200.00	

White	Close	Previous	High/Low	
Dec	258.50	258.00	259.00	256.00
Mar	258.50	258.70	259.40	257.20
May	259.80	260.00	259.80	

Turnover: Raw 56 (22) lots of 50 tonnes. White 310 (466) Paris- White (FFr per tonne): Dec 1339.68 Mar 1364.09

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Dec	20.71	20.80	20.82	20.67
Jan	20.69	20.74	20.75	20.64
Feb	20.57	20.65	20.61	20.53
Mar	20.40	20.65	20.46	20.43
Apr	20.25	20.40	20.32	20.26
May	20.14	20.40	20.21	20.17
Jun	20.05	20.08	0	0
Jul	*19.95*	*20.00*	*20.00*	*20.00*
Aug	19.85	19.91	19.91	19.91
IPE Index	20.85	20.85		

Turnover 18799 (10854)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Nov	199.25	200.00	200.00	198.00
Dec	201.00	201.75	202.00	200.00
Jan	201.00	202.25	202.00	200.50
Feb	196.25	197.00	197.00	195.75
Mar	189.50	190.25	190.75	189.50
Apr	184.00	185.00	185.50	184.00
May	*180.75*	*181.75*	*182.00*	*180.75*
Jun	179.25	180.00	180.75	179.25

Turnover 12725 (15170) lots of 100 tonnes

COTTON

Spot and shipment sales in Liverpool for the week ending 9 October 1992 ammounted to 350 tonnes in the previous week. Sales were moderate and occured mainly in American growths.

JUTE

October/November c and f Dundee; BTC US$370, BWC US$365, BTD US$335, BWD US$345; c and f Antwerp BTC US$345, BWC US$345, BTD US$325, BWD US$325.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Dec	663	658	663	646
Mar	687	684	689	674
May	704	703	706	693
Jul	722	720	725	713
Sep	741	739	742	730
Dec	765	758	765	753
Mar	791	783	792	786
May	806	801	806	798
Jul	820	815	824	820

Turnover: 5419 (2870) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Oct 19 722.85 (723.72) 10 day average for Oct 19 743.23 (747.52)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Nov	855	838	855	828
Jan	865	847	868	843
Mar	860	861	880	855
May	875	858	879	858
Jul	880	868	885	860
Sep	871	875	871	

Turnover:4111 (1958) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Oct 16: Comp. daily 52.15 (52.87) 15 day average 80.78 (50.51)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	61.0	58.0	61.0	59.5

Turnover 42 (117) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	*135.50*	*135.50*	*135.50*
Aug	136.00	136.00	136.00

Turnover 75 (225) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Oct	1100	1095	1100	1095
Nov	1176	1167	1176	1175
Dec	1180	1170	1180	1170
Jan	1210	1200	1215	1200
BFI	1060	1055		

Turnover 105 (61)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Nov	123.25	123.20	123.25	
Jan	126.60	127.00	126.60	126.55
Mar	129.65	129.95	129.65	
May	132.35	132.75	132.35	
Nov	106.00	106.00	106.00	

Barley	Close	Previous	High/Low	
Nov	122.25	122.50	122.25	
Mar	129.40	128.50	129.45	129.35

Turnover: Wheat 103 (162), Barley 110 (168).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	110.0	109.5	110.0
Mar	104.0	103.5	104.0

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 47,190 lots
Cash	1171.5-2.5	1148-50		1150-0.5		
3 months	1196-7	1171-3	1199/1173	1173.5-4.0	1193-5	163,206 lots
Copper, Grade A (£ per tonne)						Total daily turnover 27,475 lots
Cash	1387.5-8.5	1365-7		1363.5-4.0		
3 months	1416.5-7.0	1395-6	1416/1391	1394-4.5	1407-8	149,053 lots
Lead (£ per tonne)						Total daily turnover 5,585 lots
Cash	326.5-7.5	324.5-5.0	321.5/321.5	321-1.5		
3 months	339-40	336.5-.75	341/333	333.5-3.75	339-40	25,472 lots
Nickel ($ per tonne)						Total daily turnover 6,276 lots
Cash	6060-70	6060-70	5985/5985	5980-5		
3 months	6140-5	6140-5	6145/6050	6075-80	6135-40	31,393 lots
Tin ($ per tonne)						Total daily turnover 3,322 lots
Cash	5810-20	5870-80	5790/5790	5790-5		
3 months	5875-80	5930-40	5925/5845	5858-60	5875-85	10,259 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 24,514 lots
Cash	1114-5	1111-3	1109/1108	1108.5-9.0		
3 months	1132-3	1127-7.5	1134/1120	1125.5-7.5	1132-3	69,347 lots

LME Closing £/$ rate:
SPOT: 1.6245 3 months: 1.6090 6 months: 1.5979 9 months: 1.5899

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	343.40-343.70	
Opening	342.50-342.80	
Morning fix	342.55	210.282
Afternoon fix	343.50	211.515
Day's high	343.50-343.80	
Day's low	342.60-342.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.01	6 months	2.16
2 months	2.00	12 months	2.35
3 months	2.06		

Silver fix	p/troy oz	US cts equiv
Spot	233.95	379.50
3 months	233.55	377.05
6 months	237.20	380.25
12 months	244.20	387.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	342.50-345.50	210.00-212.00
Maple leaf	354.00-356.30	-
New Sovereign	82.00-84.00	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1150	33	67	5	13
1200	6	36	28	31
1250	5	17	70	61

Copper (Grade A)	Calls		Puts	
2200	59	101	4	23
2300	6	45	51	63
2400	3	15	144	134

Coffee	Nov	Jan	Nov	Jan
800	56	78		13
850	11	46	5	31
900		25	44	60

Cocoa	Dec	Mar	Dec	Mar
575	89	118	1	6
600	66	97	2	10
625	44	79	6	17

Brent Crude	Dec	Jan	Dec	Jan
2050	43	58	15	35
2100	19	38	44	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	343.8	342.7	344.0	343.8
Nov	343.8	342.6	0	0
Dec	344.6	343.4	345.0	343.5
Feb	346.0	344.6	346.4	345.2
Apr	347.4	346.0	347.8	346.6
Jun	349.0	347.4	349.5	347.5
Aug	350.8	348.9	0	0
Oct	352.7	350.6	0	0
Dec	354.6	352.2	355.0	354.6

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	363.4	362.1	362.0	362.0
Jan	359.6	358.3	361.5	359.0
Apr	*358.1*	356.8	360.0	359.0
Jul	359.1	356.8	361.5	359.0
Oct	360.1	358.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	377.8	371.8	0	0
Nov	377.9	371.9	0	0
Dec	379.3	373.3	382.5	374.0
Jan	380.6	374.5	0	0
Mar	383.0	376.8	386.0	378.0
May	385.6	379.2	387.0	381.0
Jul	388.2	381.6	390.0	384.0
Sep	391.0	384.2	0	0
Dec	395.5	388.4	399.0	395.0
Jan	397.0	389.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	99.70	98.60	100.35	99.50
Nov	99.90	99.05	100.60	99.80
Dec	100.45	99.60	101.20	100.10
Jan	100.90	100.10	0	0
Feb	101.25	100.50	101.50	101.50
Mar	101.55	100.80	102.20	101.30
Apr	101.75	101.10	0	0
May	102.25	101.65	102.60	102.35
Jun	102.60	102.05	0	0
Jul	102.85	102.35	103.45	102.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	21.89	22.14	22.13	21.78
Dec	22.05	22.09	22.15	22.00
Jan	21.98	21.99	22.06	21.92
Feb	21.83	21.86	21.92	21.79
Mar	21.69	21.70	21.75	21.65
Apr	21.56	21.55	21.60	21.55
May	21.45	21.42	21.48	21.38
Jun	21.33	21.30	21.37	21.31
Jul	21.24	21.21	21.29	21.19

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	64.21	64.82	65.00	63.85
Dec	65.07	65.55	65.80	64.60
Jan	65.44	65.96	66.15	65.15
Feb	90.29	64.76	64.85	64.05
Mar	61.95	62.30	62.25	61.70
Apr	60.00	60.25	60.30	60.10
May	58.65	58.85	58.90	58.75
Jun	57.75	57.90	57.95	57.90
Jul	57.55	57.65	57.45	57.45
Aug	58.10	58.20	58.00	58.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	952	928	953	918
Mar	1002	979	1003	971
May	1034	1009	1034	1005
Jul	1058	1039	1060	1035
Sep	1089	1069	1082	1066
Dec	1126	1105	1120	1100
Mar	*1163*	*1143*	*0*	*0*
May	1192	1172	1170	1169
Jul	1229	1209	1200	1195

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	64.85	62.15	65.25	61.80
Mar	66.25	63.70	66.50	63.40
May	69.30	66.75	69.60	66.50
Jul	*70.65*	*68.20*	*70.50*	*69.65*
Sep	72.00	69.50	72.50	71.10
Dec	74.45	71.50	75.00	75.00
Mar	76.15	73.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.91	8.83	8.93	8.74
May	8.98	8.92	8.99	8.83
Jul	*8.99*	*8.96*	*9.00*	*8.89*
Oct	8.99	8.96	8.99	8.99
Mar	9.05	9.02	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	53.34	53.68	53.40	53.30
Mar	53.38	53.58	54.35	53.35
May	53.90	54.10	54.80	53.90
Jul	54.46	54.61	55.30	54.45
Oct	55.32	55.25	55.65	55.30
Dec	55.40	55.50	56.50	55.40
Mar	55.65	56.10	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	101.30	101.10	101.70	100.75
Jan	99.05	98.20	98.90	98.00
Mar	99.20	99.00	99.90	99.10
May	99.75	99.70	100.25	99.75
Jul	99.25	99.20	99.60	99.40
Sep	99.25	99.20	0	0
Nov	99.25	99.20	0	0
Jan	99.25	99.20	0	0
Mar	*99.25*	99.20	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 20	Oct 19	mnth ago	yr ago
1621.0	1624.5	1579.6	1650.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 19	Oct 16	mnth ago	yr ago
Spot	113.95	113.83	119.17	114.27
Futures	115.11	114.87	116.99	123.99

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	546/2	543/4	547/6	543/2
Jan	552/6	549/6	554/0	549/4
Mar	559/6	556/2	560/6	557/0
May	566/2	563/0	567/4	563/4
Jul	573/2	570/0	574/4	570/2
Aug	576/0	572/4	576/4	573/0
Sep	575/2	572/0	576/0	574/0
Nov	579/4	576/2	581/4	577/0
Jan	586/0	583/2	586/0	584/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.29	19.20	19.34	19.16
Dec	19.36	19.34	19.53	19.32
Jan	19.53	19.46	19.69	19.46
Mar	19.76	19.71	19.93	19.71
May	19.98	19.91	20.15	19.94
Jul	20.20	20.12	20.35	20.20
Aug	20.25	20.21	20.40	20.25
Sep	20.27	20.27	0	0
Oct	20.35	20.30	20.60	20.35
Dec	20.45	20.40	20.75	20.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	182.5	182.3	182.7	180.7
Dec	184.2	183.8	184.9	182.9
Jan	184.4	183.4	185.0	183.2
Mar	184.4	183.3	185.0	183.4
May	184.6	183.4	185.2	183.7
Jul	186.2	185.2	186.8	185.3
Aug	186.7	185.8	187.2	186.5
Sep	187.0	186.5	187.5	187.5
Oct	*189.0*	*187.5*	189.0	188.3
Dec	190.5	187.5	189.5	189.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	210/2	208/0	211/6	207/6
Mar	219/2	216/6	220/4	216/4
May	225/4	223/0	226/4	223/0
Jul	230/0	227/6	231/2	227/4
Sep	232/4	231/0	233/6	231/4
Dec	235/6	234/2	236/6	234/2
Mar	242/4	241/0	243/0	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	354/0	356/2	358/0	352/6
Mar	351/6	353/4	353/2	350/2
May	339/0	340/6	340/6	338/4
Jul	317/0	317/6	318/0	316/0
Sep	322/0	323/4	0	0
Dec	332/0	333/4	332/0	332/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	76.275	76.475	76.675	76.250
Dec	73.875	74.450	74.600	73.860
Feb	71.825	72.250	72.375	71.775
Apr	72.525	72.950	73.025	72.500
Jun	69.575	69.875	70.000	69.575
Aug	68.125	68.500	68.625	68.050
Oct	68.500	68.700	68.500	68.500

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	42.475	42.775	42.650	42.250
Dec	43.975	44.225	44.275	43.750
Feb	43.025	43.175	43.300	42.775
Apr	41.000	41.175	41.300	40.800
Jun	46.100	46.150	46.250	45.850
Jul	45.250	45.275	45.600	45.150
Aug	44.000	44.150	44.200	43.950
Oct	41.200	41.300	41.200	41.000
Dec	43.200	43.250	43.200	43.100

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.050	44.500	44.850	43.700
Mar	44.200	44.650	45.000	43.950
May	45.950	46.375	46.150	45.300
Jul	46.100	46.700	46.350	45.500
Aug	45.225	45.475	45.225	45.000

Interest rate optimism lifts equities

By Steve Thompson

THE PROSPECT of an imminent easing in German monetary policy, leading to a round of interest rate reductions across Europe, provided the impetus for another major upward move by UK equities.

The Footsie 100 index burst through the 2,600 level, closing 54.8 up at 2,617.0, its best closing point since September 24 when the equity market peaked after the Government took sterling out of the Exchange Rate Mechanism.

Adding to a generally bullish mood in the markets was a feeling that the Conservative government may have ridden out the political storm caused by its pit closure plan, now much watered down by Mr Michael Heseltine, president of the Board of Trade.

The hint of cuts in German interest rates were quickly picked up by the foreign exchange markets where sterling rose sharply against the dollar and the D-Mark and short sterling was indicating a downward shift to 7 per cent interest rates.

Many observers are now forecasting an acceleration of interest rate cuts in the UK after the latest set of economic data pointed to a deepening of the recession. The smaller than expected rise in the money supply figures for September, plus the weakest set of building society lending figures since the recession began, were interpreted as a sign that there is no recovery.

One senior trader expected a re-run in the UK of the Wall Street phenomenon of the past year; a weak economy to which the Federal Reserve responded with a series of interest rate cuts, which in turn boosted the US stock market.

The market was on the move from the outset, responding to a good performance by Wall Street and sterling's strength. The main thrust for the equity market came from the derivatives markets, where the Footsie future powered ahead to reach a 60-point premium over the cash market very early in the day. The future maintained a 40-point premium throughout a very active session in which heavy index arbitrage activity was a big feature.

Dealers said a growing expectation that the government will emerge intact from the debate over pit closures was another bull point for the market. Institutional buying was thin during the morning but picked up sharply during the afternoon, with dealers reporting considerable interest from overseas investors.

The Footsie 100 opened over 12 points higher and never looked back, bursting through 2,600 in mid-session and reaching the day's peak of 2,617.5 before dipping just before the close. A firm opening by Wall Street after the final Presidential debate between the three candidates, gave a further fillip to the market.

After yesterday's rise, even the most aggressive bulls expect the market to attract profit-taking. More cautious strategists continue to point to the fundamental weakness of the UK economy, the prospect of disappointing earnings numbers and more downgrades.

Turnover picked up yesterday, reaching 631.1m shares, but the fragility of the London market was underlined by news of more job losses in the securities business; the London arm of Nomura, the Japanese stockbroking firm, cut around 50 jobs yesterday.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]			

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Oct 5	Oct 19	Nov 2
Option Declarations:	Oct 15	Oct 29	Nov 12
Last Dealings:	Oct 16	Oct 30	Nov 13
Account Day:	Oct 26	Nov 9	Nov 23

*New time dealings may take place from 8.30am two business days earlier.

Rolls hit by broker revisions

AERO ENGINE group Rolls-Royce had a volatile session and ended up as the worst performer in the FT-SE 100 after several brokers revised their stance on the stock.

The shares fell to 121p early in the session after Panmure Gordon reduced its profits estimate for 1993 by £15m to £115m, citing cuts in aircraft manufacturers production levels and continued concerns about spares. Leaving his current year forecast at £72m, Mr Charles Donald at Panmure said next year's dividend will be maintained. Sentiment was further weakened by a BZW profits downgrading and Smith New Court advising investors to "reduce weighting".

Bargain hunting and the strong market trend helped the shares recover from the earlier lows to end 3½p down at 138p, in hefty trade of 7.6m.

Rank hotel hints

A robust defence of its trading performance and disposal strategy was said to have been mounted by Rank Organisation, with hints also in the market that the leisure group may be close to selling some of its hotels to Greenalls, which yesterday announced a rights issue to fund acquisitions. Rank's move to shore up its defence comes in the wake of negative press comment and broker downgrades, with criticism focusing on Rank's high debt level and rumoured sales of some of its core assets.

However, Rank was said to have told institutions at a private dinner that its cinema business was not up for sale, that its next set of results would show net debt in retreat and that the dividend would definitely be held. But it was hints in the market that some of the group's hotels, which have been up for sale for several months and are expected to raise around £300m, may be about to be sold which brought the most cheer. Rank shares jumped 22 to 530p in busy turnover of 2.6m.

Some brewery analysts were sceptical that Greenalls would consider one of Rank's high-profile London hotels, arguing that the group would more likely use its £86m to pick up more smaller offerings. The shares slipped 15 to 344p.

Lasmo active

Oil group Lasmo caught the market's imagination yesterday as a number of investors decided that worries over the exploration and production group's dividend were beginning to recede. The shares lifted 9 to 176p on very high turnover of 9.3m.

A press article on how second-line oil stocks have picked up on the back of a weaker pound sparked wide interest. Lasmo benefited partly because it is the most highly leveraged company in the sector and partly because of its bid attractions.

Some analysts suggested there was also switching from Enterprise following the latter's less-than-successful share issue at the weekend. The problems with the issue of American Depositary Shares were highlighted by an announcement that following the offering, Lehman Brothers has been left with about 1.3 per cent of Enterprise's enlarged share capital. Enterprise firmed 9 to 419p.

Coats move up

The UK's largest textile group Coats Viyella was heavily traded as one house repeated a buy recommendation. The shares jumped a net 12 to 199p on heavier than usual turnover of 4.6m shares.

Smith New Court's textile analyst Mr Mark Pulelkis published an internal note offering reassurance following worries over the tax charge. The worries were highlighted by a recent ruling by the Financial Review Reporting Panel on Trafalgar House.

Mr Pulelkis also argues that the company is on a 1993 multiple of 12 times earnings.

Builders merchant Wolseley was the strongest performer in the market, as it turned in very good results sending the shares racing forward in busy trading of 1.5m. The group showed improvements across the range of its businesses, but in particular France and the US. The shares surged 64 to 408p.

Mr Gavin Pomeroy at County NatWest said: "The shares continue to look fair value and in the long-term the potential for both expansion in the US and recovery in the UK are good."

A strong property sector combined with relief over the scope of its proposed dividend cut lifted Hammerson, the ordinary shares climbing 11 to 201p. The group reported a 25 per cent fall in interim profits, well below City expectations, and promised a halved final dividend. However, a cut had been expected and the removal of uncertainty brought relief to the market, although the company's warning of tough times ahead held back the shares in early muted trading. They rose later on the back of hopes for interest rate cuts which lifted other property stocks.

Mr Graham Stanley at County NatWest said: "If the property market continues weak, then the outlook for Hammerson's office rental income when leases begin to expire is bleak. The dividend could then be under further pressure. We consider the shares too expensive at this level."

Other stocks responding to the improved sentiment yesterday included British Land, up 10 at 173p, Land Securities, 16 ahead at 415p, and MEPC, 9 firmer at 288p.

Continuing worries over the coal crisis prompted some switching from the electricity generators into British Gas, up 8½ to 256½p, and selected water stocks. Of the latter, Anglian rose 10 to 440p.

Currency factors gave a boost to ICI, which also announced the sale of its aerospace and defence coatings arm to Courtaulds (up 6 at 460p). ICI bounced 24 to 1027p.

SmithKline Beecham rose 15 to 527p in the "A"s and to 488p in the Units on news that the pharmaceuticals group had boosted profits for the third quarter by 8 per cent.

Publishing and leisure conglomerate Pearson gained after encouraging messages from S.G. Warburg in its latest media survey. The shares lifted 21 to 354p.

Asda was the top traded stock of the day, with 22m shares changing hands. Dealers said the good two-way business — the shares edging forward a half-penny to 40½p — was a result of investors taking profits on the rights issue price of 35p a year ago and the positive mood that has accompanied the share price's slow price in recent months.

In a strong leisure sector, Forte's rise was hindered by news that US rating agency Standard and Poor had downgraded some of the group's debt. The shares closed 5 up at 157p. Thorn EMI rose 20 to 790p, County NatWest continuing its strong buy stance. New figures on UK compact disc sales also gave the group a boost.

County NatWest was said to be positive on Tiphook and the shares gained 13 to 232p. BAA jumped 29 to 799p, with some switching from British Airways reported. BA crept ahead 2 to 296p, in trade of 3.3m shares.

A sell recommendation in IMI from Smith New Court left the shares 9 lighter at 213p.

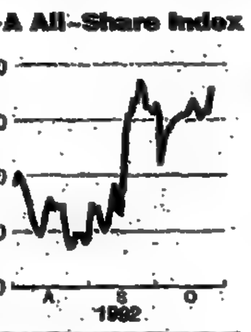
More downgrades hit Glynwed International. The shares fell 3 to 205p after Kleinwort Benson and BZW were reported to have joined the list of brokers revising forecasts.

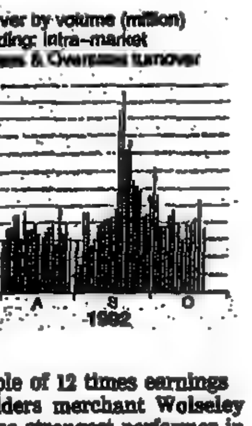
Packaging company CMB fell 55 to 2050p following a forecast downgrade by US investment bank J.P. Morgan, which cuts its earnings estimates for the group.

Financial services company Gerrard & National rose 26 to 306p after announcing an unchanged first-half dividend of 6p and good half-year profits.

MARKET REPORTERS:
Christopher Price
Peter John
Joel Kibazo

■ Other market statistics, Page 19.





NEW HIGHS AND LOWS FOR 1992

[illegible] ... (W), MISC (1) Ross, OIL & GAS (3) Hardman, Lasmo Ops., Nth. Sea Assets., Oceonics, Petrofina, OTHER FINCL (2) Baltic, Do 7pc Pf., PACKG, PAPER & PRINTG (1) Sonic, PROP (1) Shaftesbury, STORES (3) Beattie, Cantors A, Wyevale, TEXTS (3) Beckman, Bage, Yorklyde, TRANSPORT (2) Eurotunnel Wts., LOT's, MINES (1) Placer Pacific.

FINANCIAL TIMES EQUITY INDICES

	Oct 20	Oct 19	Oct 16	Oct 15	Oct 14	Year ago	High	Low
Ordinary shares	1912.9	1887.2	1872.3	1850.2	1877.9	1986.1	2149.7	1670.0
Ord. div. yield	4.70	4.80	4.78	4.89	4.75	4.71	5.34	4.24
Earning yld % full	6.72	6.86	6.83	6.87	6.78	7.46	-	-
P/E ratio net	18.91	18.52	18.80	18.50	18.71	16.75	20.84	15.79
P/E ratio nil	17.58	17.21	17.29	17.20	17.39	15.80	-	-
Gold Mines	71.2	69.1	67.1	69.1	66.3	170.0	160.6	65.0

*For 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1878.2	1890.9	1895.8	1899.4	1902.5	1906.8	1909.0	1904.4	1914.8	1915.6	1878.2

Date	Oct 20	Oct 19	Oct 16	Oct 15	Oct 14	Year ago
SEAQ Bargains	25,321	22,351	28,288	21,116	22,480	22,365
Equity Turnover(£m)†	-	851.2	1257.0	878.4	940.3	744.07
Equity Bargains†	-	28,619	30,373	24,504	24,255	19,824
Shares traded (mil)†	-	366.3	536.0	425.7	389.2	327.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THE German Bundesbank's decision to move to a variable repo rate, leading to strong speculation of further cuts in UK base rates, enlivened a dull derivatives sector and sent Footsie futures moving sharply ahead, writes Joel Kibazo.

The opening level in the December contract on the FT-SE 100 index was recorded at 2,617, which proved to be the day's low as the speculation on interest rates quickly took hold sending December steadily ahead and pulling the underlying cash market higher.

The early strength of Wall Street led to renewed buying interest, a factor which took many dealers by surprise, leading to a squeeze in December and sending it to the day's peak of 2,668.

The general strength of the market meant that December traded at a healthy premium to cash of between 30 and 40 points throughout the session with arbitraging seen at the higher levels.

December closed at 2,657, around 17 points above its estimated cost of carry of around 28. Turnover reached 9,208 lots.

Traded options were also lively and turnover improved to reach 38,097 contracts of which 10,442 were dealt in the FT-SE 100 option. Asda was the busiest stock option, with a total of 5,003 contracts traded by the close. This was followed by HSBC at 2,438 and British Steel at 1,117.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2617.0 +54.8	2410.4 +30.1	1229.53 +22.85

	Oct 20	Oct 19	Oct 16	Oct 15	Oct 14	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2617.0	2562.2	2563.9	2546.6	2574.7	2561.1	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2410.4	2380.3	2385.9	2373.9	2401.0	2529.0	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1254.3	1230.1	1237.3	1223.4	1237.0	1245.2	1324.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2574.3	2579.8	2596.5	2599.8	2602.4	2605.9	2607.2	2604.1	2617.1	2617.5	2574.3
FT-SE Mid 250	2384.1	[illegible]	2393.2	2396.6	2398.6	2400.1	2401.5	2402.5	2410.4	2410.6	2384.1
FT-SE-A 350	1235.1	1237.5	1244.8	1248.2	1247.5	1249.0	1249.6	1248.5	1254.3	1254.6	1235.1

Gross dividend yield (ACT at 25%) FT-SE 100:4.60 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday October 20 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Mon Oct 19 Index No.	Fri Oct 16 Index No.	Thu Oct 15 Index No.	Year ago (approx) Index No.
[illegible]										

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
[illegible]												

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		18¾xd	-⅛	19⅛	14½	15,288	1.9
Allegheny & W		431p		431p	226p	224.0	4.1
Amdahl		463p	-2	1159p	455p	542.4	1.2
Amer Cyanamid		33½	–	37	26¾	3,022	2.9
Amer Express		12⅞xd	+⅞	13⅞	10⅛	8,078	4.6
Amer T & T		28xd	.	28	23½	34,577	3.0
Ameritech		41⅝	-⅛	42⅛	32½	18,225	3.9
BankAmerica		26⅞xd	+⅛	27⅛	19⅛	9,238	2.8
Bankers NY		40⅛xd	+⅛	40⅛	29⅞	3,270	4.0
Bell Atlantic		28⅞	-⅛	29⅞	23⅛	12,456	5.3
BellSouth		32	-⅛	32⅛	25	15,044	5.0
Bethlehem Steel		8½xd	-⅛	9⅝	5⅞	588.0	–
Bowater		1172pxd	+15	1579p	906p	423.7	6.0
CPC		29xd	+⅛	29	22⅛	4,392	2.4
Cadiz Land Inc		108p		342p	102p	–	–
California Engy		730p	–	833p	591p	143.8	–
Chase Manhattan		14⅛xd	+⅛	18⅛	9⅛	2,146	4.3
Chrysler		15⅛xd	+⅛	16⅛	6⅛	4,459	2.5
Citicorp		9⅛xd	-⅛	11⅛	5⅞	3,318	–
Colgate-Palm		35⅛xd	-⅛	37⅛	25⅛	5,539	2.9
Cont'l Bank		988p	-35	1036p	452p	998.4	3.5
Dana		23⅛xd	+1⅛	24½	14⅛	1,091	3.9
Data General		758p	-6	1004p	334p	289.2	–
Dexion Inds.		102p		122p	66p	–	–
Dun & Brad		35⅛	-⅛	35⅛	27⅛	6,334	3.8
Eaton		45⅛	+⅛	46⅛	32⅛	1,579	2.8
Exxon		12⅛xd	+⅛	12⅛	7⅛	893.7	2.4
FPL		22⅛xd	+⅛	22⅛	17⅛	4,007	6.4
Fluor		28⅛xd	+1⅛	28⅛	19⅛	2,301	0.8
Ford Motor		22⅛xd	-⅛	26⅛	15	11,121	2.6
Gen Elect		46⅞xd	-⅛	47⅛	35⅛	40,045	2.9
General Host		593p	+8	593p	360p	–	3.5
Gillette		36½xd	+⅛	36⅛	22⅛	7,925	1.2
Hasbro		21½	+⅛	21½	12⅛	1,867	0.5
Honeywell		39½	+⅛	43	22	2,708	2.5
Houston Inds.		26⅞	-⅛	27	22	3,480	6.5
IBM		42⅛xd	-1½	54½	42⅛	24,041	6.7
Ingersoll-Rand		18⅛	+⅛	19⅛	12⅛	1,892	2.2

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS – Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†	178	+3	178	147	3.6	100.4	18.8
Warrants		27	+1	38	21	–	–	–
Scot Mortgage	♣	159½	+2½	167	135	3.3	189.2	15.7
Scot National Inc	♣	73½	+1	107	65¼	16.1	–	–
Cap		22	+2	42	12½	–	–	–
Stepped Pf		149	+1½	149	126	6.4	–	–
Zero Div Pf		194½	+3	194½	166½	–	–	–
Warrants		4	—	9	3	–	–	–
Scot Value		61	+1	64	48	3.9	61.2	0.3
Sec Alliance		1218	+18	1283	1086	4.8	1425.3	14.6
Second Market		253	+6	253	222	0.8	295.6	15.3
Sec Tst Scot	♣	66½	+½	75¼	61	6.5	72.9	8.8
Select Assets		93	+2	102½	78½	1.3	143.3	35.1
Eq Ind SerI		116	—	123	106	4.9	–	–
Eq Ind SerII		116	—	123	106	4.9	–	–
SHIRESCOT		96	—	98	96	–	96.5	0.6
Shires	♣	194	+1	249	188	12.8	206.7	6.6
11pc Cv Ln '03/04		£104½	+1	£118½	£95½	10.5	–	–
Siars Select		88	+1	91	68	9.4	122.5	28.6
Warrants		11	+1	21	10	–	–	–
Smaller Cos		66	—	85	66	8.1	75.7	13.4
Warrants		12	—	28	10	–	–	–
Somerset Tst		114	—	149	55	–	85.9	-32.8
Sphere Inc	N	12½	+½	20	9½	38.1	19.8	41.3
Zero Div Pf		72½	+½	77¼	63¾	–	–	–
Sand		32	—	65	30	6.2	93.0	65.6
TR City of Lon		109½xd	+1½	127½	97½	5.8	113.0	3.5
TR Euro Growth		75	—	90	70	2.4	96.9	22.5
Pfg Sab		33	—	54	33	5.5	–	–
TR Far East Inc	M	100	—	101	76	5.5	116.8	14.0
Warrants		17	+½	22	12	–	–	–
TR High Inc		97	—	110	91	6.2	99.8	2.8
Sub		22	—	35	21	9.1	–	–
TR Pacific		94	+1	98	70	8.4	105.8	11.8
TR Prop		15	+¼	27	14½	12.9	32.1	53.7

MEDIA – Cont.

	Notes	Price	+ or -	1992 high
Wstr News		427	+2	457
VTR		45	—	65
WPP		36	—	115
Warrants		3	—	9½
Watmoughs	†	451	—	480
Yorkshire Tyne-T		131	—	191½

MERCHANT BANKS

	Notes	Price	+ or -	1992 high
Ansbacher (H)		28	−1	34
Barings 8pc Cu 2nd Prf		99	+½	100
9¾pc Non-Cum Prf		119¼	−½	125
Close Bros		222	—	287
Hambros	♣	235	+3	292
7½pc Cv Pf		105½	+1	119
Joseph (L)		388	—	393
Kleinwort Benson		388	+6	324
Rea Bros		34	—	[illegible]
Schroders	♣†	1298	—	1365
N/V	†	1098	—	1158
Singer & Fried	♣	38	−1	59
Warburg (SG)	♣	583	+13	665
8pc Cv Pf		170½	−½	204
Wintrust		190	−5	253

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

OIL & GAS – Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

MOTORS

OIL & GAS

PACKAGING, PAPER & PRINTING – Cont.

PROPERTY

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

STORES

PACKAGING, PAPER & PRINTING

STORES – Cont.

TELEPHONE NETWORKS

TEXTILES

MINES

MINES – Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the yield column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
y Net subject to ACT
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

[illegible]

MGM Unit Managers Ltd (1000)F

MGM House, Heene Rd, Worthing

Dealing: 0277 261010 Enq: 0903 204631

High Income	5	214.5	219.7xd	233.7	+1.1	5.60
(Accum Units)	5	364.6	374.4	398.2	+1.6	5.60
UK Growth	5	280.6	287.1xd	301.1	+3.5	3.42
(Accum Units)	5	349.3	352.5	374.9	+4.3	3.42
Intl Equity Gth	5	50.92	51.08	54.33	+0.06	1.12
Intl Bond	5	62.38	62.38	65.51	-0.38	6.29
Special Sits Gth	5	13.87	14.33xd	15.24	+0.1	3.64
North American Gth	5	77.97	78.19xd	83.18	+0.93	0.96
European Growth	6	32.06	32.98xd	34.34	-0.39	1.15

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administration costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (☆) - 0001 to 1100 hours; (✦) - 1101 to 1400 hours; (◆) - 1401 to 1700 hours; (▲) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

[illegible]

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	114.70	115.00	121.10	-0.70	6.34
Pooled Pension ◆	3½	130.4	133.1	139.8	..	-
Smaller Cos	5	49.67	51.45	54.26	-0.20	2.77
UK General	5	105.40	107.00	112.60	+1.30	2.71
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071-407 5966						
Income	5	332.61	332.61	352.57	+7.89	5.88
Global Inc	5	47.26	47.26	50.10	+0.84	4.89
Brit Leaders	5	280.24	280.24	297.05	-0.25	3.43
Intl Leaders	5	153.53	153.53	162.74	+5.69	2.01
F As Min Inc Gth Acc ◆	3½	45.93	46.60xd	48.42	+0.30	4.42
F As Min Inc Gth Dist ◆	3½	45.93	46.60xd	48.42	+0.30	4.42
Singer & Friedlander UT Mngmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	44.57	44.65xd	47.50	-0.18	2.09
Far Eastern Tst	6	50.85	50.98	54.23	-0.16	0.91
Smaller Cos	5	104.6	109.4	116.3	-0.5	3.20
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ◆	5	233.9	234.3	247.9	+9.7	0.99
S & W Capital	5	100.6	100.6	107.8	+1.20	2.07
S & W Cash ◆	0	100.66	100.66xd	100.66	+0.05	9.34
S & W European	5	100.3	100.7	106.5	+1.4	1.57
S & W Far Eastern	5	101.9	102.7xd	108.6	+1.9	0.32
S & W Growth	5	108.4	109.6xd	115.9	+1.00	1.71
S & W Income	5	91.70	93.00xd	98.41	-0.23	6.05
S & W Magnum	5	106.5	106.5	114.2	+1.3	1.91
S & W Smllr Secs	5	233.9	239.1xd	253.0	+2.1	1.23
S & W Thoroughbred	5	122.7	122.7xd	131.7	+1.50	1.39
Societe Generale Touche Remnant (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250						
4 Hourly Pricing - 12 Noon Historic						
American Gwth	5¼	63.85	63.85xd	68.28	+1.08	0
Eur Sp Sits Acc	5¼	38.87	38.87	41.96	-0.25	0
Eur Sp Sits Inc	5¼	36.71	36.71xd	39.06	-0.24	0
Far East Opps Inc	5¼	24.13	24.13	26.00	+0.11	0
Far East Opps Acc	5¼	24.73	24.73	26.65	+0.12	0

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	82.68	82.68	84.60	-0.53	0.00
Short Dat Gilt	1½	105.1	105.1	106.5	+0.6	1.93
U.S. Govmt Bond	1½	0.7014	0.7014	0.7106		0.00
Gilt Income	4	50.93	50.33xd	52.37	+0.07	9.30
Gilt Growth	4	61.62	61.62	64.13	-0.03	0.00
City Reserve	0	54.85	54.85	54.85	+0.01	10.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	57.37	57.50	61.17	+1.18	2.89

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmt Sep 16	530.6	547.51	..	1.27
James Capel Fund Managers Ltd				
Managed Exempt	1214.126	128.583	+1.61	4.64
Cent. Bd. of Fin. of Church of England†‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90	..	5.69
Fxd Int Sec Sep 30	144.40	145.00	..	10.00
Deposit Fund: See Money Market Trust Funds.				
Charinco/Charishare†‡ (1000)F				
33 King William Street, EC4R 9AS 071-280 7800				
Charinco Inc	170.5	172.5	+0.60	9.51
Charinco Acc	976.1	987.4	+3.40	9.51
Charishare Inc	166.9	170.7	+2.30	4.63
Charishare Acc	211.7	216.5	+2.90	4.63
CAFINVEST—Charities Aid Foundation				
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333				
Balanced Growth	57.30	59.19	...	4.22
Income	57.29	58.94	...	7.54

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BB 0539 733733

Managed Fund wa Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd	583.7	621.0	+4.1	-
Adventurous Mngd	138.5	147.4	+1.0	-
Cautious Mngd	113.5	120.8	+0.3	-
Cash Fd	311.8	328.6	---	-
Property Fund	216.8	230.7	---	-
Equity Fund	661.7	704.0	+4.7	-
Fxd. Int. Fund	373.8	393.9	---	-
International	299.2	318.4	+1.5	-
High Income	509.8	542.4	+4.7	-
Far East	403.3	429.1	-0.7	-
North American	367.3	390.8	+3.6	-
Special Sits	462.6	492.2	+5.5	-
Technology	364.5	387.8	+5.7	-
Extra Inc Fd	275.0	292.6	+3.2	-
Convertible & Gilt Fd	131.5	139.9	+0.2	-
American Income	157.2	167.3	+0.4	-
Gilt Fund 20	426.7	454.0	---	-
European Fund	107.9	114.8	+0.4	-
Pref & Fixed Int	100.3	106.8	-0.2	-
UK Blue Chip	106.0	112.7	+1.4	-
Recovery Fund	94.9	100.0	+0.9	-
Equity Income Dist	91.9	97.8	+0.8	5.24
Managed Dist	89.2	94.9	+0.4	5.56
High Yield Dist	94.6	99.7	-0.1	7.87
Pension Funds				
Balncd Gth Mngd Pens Acc	666.9	702.0	+4.6	-
Adventurous Mngd Pens Acc	140.4	147.8	+0.9	-
Cautious Mngd Pens Acc	129.0	135.8	+0.4	-
Building Soc. Acc	358.2	377.1	---	-
Property Pens. Acc	294.3	309.8	---	-
Fix. Int. Pens. Acc	585.1	615.9	-1.6	-
Equity Pens. Acc	831.3	875.1	+4.6	-
International Pens Acc	272.3	286.7	+1.0	-
High Inc Pens Acc	565.7	595.5	+6.0	-
Tech Pens Acc	252.4	265.7	+4.9	-
N American Pens Acc	272.3	286.7	+3.0	-
Far Eastern Pens Acc	395.3	416.2	-1.5	-
Special Sits Pens Acc	379.6	399.6	+4.1	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or −	Yield Gross
Deposit Acc Fd	165.7	174.4	---	-
Equity Acc Fd	362.0	381.0	+3.8	-
Managed Acc Fd	314.3	330.8	---	-
Prop Fd (1st Issue)	-	570.1	---	-
Prop Acc Fd (2nd Iss)	116.8	122.9	---	-
Unit Trust Mn. Fd	134.5	141.6	---	-
RL Pension Funds				
Deposit Acc	239.5	252.2	+0.1	-
Equity Acc	261.6	275.3	+3.6	-
Fixed Int Acc	234.6	247.0	---	-
Gilt Indx Lnk Acc	177.4	186.7	---	-
Managed Acc	338.4	356.3	---	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6580

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
JRA/M&G Managed	101.8	107.2	+0.20	-
JRA/Scottish Amicable Mngd	95.80	100.9	-0.40	-
JRA/St. James's Place Mngd	104.9	110.5	+0.20	-
Deposit	98.70	103.9	---	-
Far East	107.4	113.1	+3.10	-
Gilts	100.7	106.1	-1.40	-
Greater European	104.6	110.2	-1.10	-
North American	111.5	117.4	+1.00	-
UK Equity	98.60	103.8	-0.30	-
Pension Funds				
JRA/M&G Managed cap	98.80	104.1	+0.50	-
JRA/M&G Managed acc	101.4	106.8	+0.40	-
JRA/Scottish Amicable Mngd cap	91.90	96.80	-0.50	-
JRA/Scottish Amicable Mngd acc	94.40	99.40	-0.50	-
JRA/St. James's Pl Mngd cap	105.5	111.1	+0.10	-
JRA/St. James's Pl Mngd acc	108.3	114.0	+0.20	-
Deposit cap	98.90	104.2	---	-
Deposit acc	101.5	106.9	---	-

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow

Scottish Provident Institution

6 St Andrews Sq, Edinburgh

Sun Alliance Group—Contd.

Albany International Assurance Ltd

Target International(Guernsey)

Adams & Neville Fd Mangt (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
Gartmore Fund Managers (IoM)				
Intl. Inc *	15 7	16 7	+0.1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
DB Guard Dar BW Oct 16		$16.24	---	-
Paragon Plus Ret Oct L		£9.17	---	-
Paragon Stg Ret Oct L		£10 40	---	-
St Alban Wk NAV Oct 15		$9.81	---	-
Govett Mgd Fut Oct 16	£13 82	15 11	---	-
Govett Mgd Futs Oct 16	$09 92	10.85	---	-
New Horizons Int Oct 15		$13.06	-	-
Max Reinvest Oct 15		$5.81	-	-
Dllr Geared Bd Oct 16		$8 00	-	-
IBI Global Funds Limited				
Intl Stg Gwth	£18.37	19.34	-	-
Intl $US Gwth	$17 70	18 65	-	-
High Income Gilt	£24.38	25.28	-	-
International Equity	£18 44	19 42	-	-
International Bond	£21.14	21.91	-	-
Managed Currency	£25.37	26.65	-	-
Sterling Currency	£26 16	26.43	-	-
US$ Currency	$37 65	38 04	-	-
Irish £ Currency	I£14 89	15.05	---	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.18	8.81	-	-
B.F. Offshore Inc Fd Ltd	£10 71	11.21	-	-
[illegible]	£8 76	9 22	-	-
LFM Sterling Fd.	£10 69	11.14	---	-

JERSEY (SIB RECOGNISED)

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		IE-21.8856	21.8310	-	-
Managed Capital Bd	5		IE-20.7926	20.8115	-	-
AIB Graded Currency Fund Limited						
Stg Mngd Currency	5			10.7881	-	-
Sterling Currency Fd	5			10 4285	-	-

	Bid Price	Offer Price	+ or -	Yield Gross
INVESCO MIM International Limited				
All Funds deal daily except where indicated.				
Sterling Denominated Income Funds				
American Equity Inc	£1.633	1 753xd	-0.010	2 79
Japan Inc & Gwth	£1.358	1 457	-0 021	1.88
Sterling Denominated Growth Funds				
Capital Deposit	£37 61	37 67	+0 14	-
European Perform.	£0 4106	0.4415xd	+0 0039	-
Far East	£2 321	2 496	-0 007	-
Pioneer Markets	£3.300	3.548	+0 014	-
UK Growth	£1 124	1 209	+0 021	2 20
£ Mng Portfolio	£1 480	1.600	+0.009	-
US Dollar Denominated Growth Funds				
Gold & Prec. Mtls.	$0.628	0 675	-0 008	-
Japan Performance	$2.033	2 206	-0.030	-
Gtd BW 1994 **	$9 10	-	-	-
MIM London Agents				
Apollo Fd Oct 14*	SFr76.50	82.00	-	-
*Weekly Dealing. †Fortnightly Dlng **Monthly Dlng				
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds Intl World Inv Port.	£2 307	2 423xd	-	1 18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9 76	9 80xd	-0.09	9 59
Minerals, Oils Res. Shrs. Fd, Inc.				
Nares Oct 15	$13 63	13.92xd	-	2.87
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	51 8	54 0xd		8.51
UK Equity Fd (z)	198 3	212 0	+0 01	3.03
*Intl Bond Fd	94 0	97 0		7.53
**Natural Resources Fd	110.2	117 0	-	0.45
*Sterling Mngd Assets Fd	511.2	539 0	---	5.00
*Sub. day every Thurs. **Sub day monthly 5th and 20th				
NatWest TrustCor Currency Fund (z)				
Dollar Class		$37.9941	+0.0062	-
Sterling Class		£26 6334	+0 0087	-
D-Mark Class		DM882 5391	+0 0180	-
Dutch Guilder Class		Dfl82 0936	+0.0161	-
Japanese Yen Class		Y7925 7474	+8.6715	-
Ashburton Gestion Portfolio Ltd				
Ashburton Gestion Pfolio Ltd	10.48	10 89	-	-
Ashburton Gestion Pfolio Ltd	$10.10	10 47	-	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 15	$33 28	35 371	-	-
Perpetual UT Mngrs (Jersey) Ltd				

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Big gains against D-Mark

THE D-MARK weakened against most of the important currencies as speculation about monetary easing in Germany intensified, *writes Emma Tucker*.

The announcement by the Bundesbank that it was switching to a variable, rather than a fixed rate, repurchase tender was taken as a sign that the German central bank was happy to see money market rates ease.

The news sent the dollar sharply higher in frantic European trading, leading some traders to suggest that the US currency was finally recovering from its position as the lowest yielding key international currency.

"The dollar is at long last firmly established on an upward path. It is likely to make a sustained break above DM1.52," said Mr Avinash Persaud, senior currency economist at UBS Phillips & Drew.

Although the main push to the dollar came from the easing of German money rates, poor economic data from Japan – suggesting rates would ease there too – also helped buoy the currency. The view that a victory by Mr Bill Clinton in the US presidential election might caution the Federal Reserve against further rate cuts also contributed to the dollar's better performance.

It closed in London at DM1.5195, up 3½ pfennigs on the day. In early New York trading the currency continued to make gains. It popped above DM2.52 before settling just below that level in mid-day trading.

The move by the Bundesbank to variable repurchase rates also helped boost the pound. But dealers said the currency's gains would be short lived and said sterling would continue to fluctuate.

"The D-Mark's weakness was very helpful to the pound but it is still very volatile. People will continue to find reasons to sell the pound," said Mr Mark Brett of Barclays de Zoete Wedd.

Poor money supply data – in particular the news that individuals and companies made a net repayment of loans to banks and building societies last month for the time since records started 28 years ago – also reminded the market of the UK's weak economic outlook and hence the likelihood of further base rate cuts.

Dealers were, however, a little more sanguine about the political outlook in the UK. They no longer expect the government to be defeated in today's debate on the future of the coal industry, following its partial U-turn on the decision to close 31 pits.

Sterling closed in London at DM2.4700 up five pfennigs on the day. It slipped ⅔ of a cent against the dollar to close in London at $1.6255.

Tentative signs of recovery among weaker European currencies were also aided by the signs of monetary relaxation in Germany.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 20	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4480	-3.59	3.85	49
Dutch Guilder	2.29193	2.21321	-3.46	3.72	45
D-Mark	2.03412	1.96551	-3.37	3.61	51
Danish Krone	7.75901	7.56692	-2.48	2.66	-4
French Franc	6.82216	6.66474	-2.31	2.48	-15
Irish Punt	0.759300	0.745396	-1.83	1.98	-33
Portuguese Escudo	176.844	174.757	-1.18	1.31	0
Spanish Peseta	139.176	139.339	0.12	0.00	-23

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

*Floating rate. Iran Official rate: £107.05 $63.95

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
106	4.04	-	-	0.04	0.24	-
107	3.09	3.81	-	0.08	0.39	-
108	2.18	3.03	-	0.13	0.67	-
109	1.35	2.34	-	0.31	0.83	-
110	0.71	1.72	-	0.65	1.14	-
Open Int.	321,440	89,542	1,702	221,169	63,751	1,460

Estimated volume 104,811 † Total Open Interest 699,064
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	8	Crédit Lyonnais	8	McDonnell Douglas Bnk	8
Allied Trust Bank	9	Cyprus Popular Bk	8	Midland Bank	8
AIB Bank	8	Duncan Lawrie	8	Mount Banking	9
● Henry Ansbacher	8	Equatorial Bank plc	8	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	9.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	9	Nykredit Mortgage Bank	9.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	8	● Rea Brothers	8
Bank of Cyprus	8	Robert Fraser & Ptnrs.	8.5	Roxburghe Bank Ltd.	10
Bank of Ireland	8	Girobank	8	Royal Bk of Scotland	8
Bank of India	8	● Guinness Mahon	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	Habib Bank AG Zurich	8	Standard Chartered	8
Banque Belge Ltd	9	● Hambros Bank	8	TSB	8
Barclays Bank	8	Hampshire Trust Plc	13.5	Unibank plc	8
Brit Bk of Mid East	8	Heritable & Gen Inv Bnk	8	● United Bk of Kuwait	9
● Brown Shipley	8	● Hill Samuel	9	Unity Trust Bank Plc	8
CL Bank Nederland	8	C. Hoare & Co.	8	Western Trust	8
Citibank NA	8	Hongkong & Shanghai	8	Whiteaway Laidlaw	8
City Merchants Bank	8	Julian Hodge Bank	8	Yorkshire Bank	8
Clydesdale Bank	8	● Leopold Joseph & Sons	8		
Co-operative Bank	8	Lloyds Bank	8		
Coutts & Co	8	Meghraj Bank Ltd	8		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Focus on Germany

HINTS OF an early cut in German money market rates and a slightly stronger pound influenced the easing of UK inter-bank rates yesterday.

The cash rate for three-month money dropped to 7¾ per cent from 8⅛ per cent on Monday, suggesting further monetary relaxation soon after Christmas.

The main interest yesterday was in Germany where the Bundesbank announced it would conduct today's repurchase agreement at a variable, rather than a fixed rate, to "test the equilibrium of the market".

UK clearing bank base lending rate 8 per cent from October 16, 1992

Dealers took this as a sign that the Bundesbank no longer intends to stand in the way of a market-led move to lower interest rates. Recently the market has been pushing for easier rates through lower German call money rates which were yesterday quoted at between 8.85 per cent and 8.95 per cent compared with 8.95 per cent on Monday.

But for the last two weeks the Bundesbank has offered banks securities repurchase funds at 8.90 per cent.

Under a variable rate tender, the banks bid the rates themselves, but the Bundesbank sets a cut-off point, below which it is not prepared to accept offers. The extent to which the German central bank is happy to see money rates ease, will be known this morning after the tender is announced.

The rate at which repurchase agreements are tendered should now become the key figure to watch for enlightenment on German monetary policy.

"In an era of falling rates the ceiling, or Lombard rate, becomes much less important than the rates on repurchase agreements," said Mr Nick Parsons of the Canadian Imperial Bank of Commerce. "The Bundesbank prefers a clear gap between the repo rates and the Lombard rate."

The sterling futures market moved to discount monetary easing by the UK authorities, even more aggressively than on Monday. The December contract closed at 93.07.

The day's shortage was £1.75bn. Bank of England operations included three repurchase agreements without which, according to one dealer, the Bank would have been unable to relieve the shortage. It provided late assistance of £655m.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,982 Set by VIXEN

ACROSS

1 It means chaos for those in residence (7)
5 Spotted a minister accepting fruit (7)
9 Hook stock (5)
10 Lionesses can be very quiet (9)
11 The assembly will swallow sharp comeback, naturally (9)
12 A woman not all men admire, needless to say (5)
13 Pointed note written in the bar (5)
15 Found the answer – undertook a course of exercise (6,3)
18 Trapped by strange instrument (5-4)
19 With the final change there's a certain amount of heat (5)
21 This is unusual – though not in a military body (5)
23 Arranged a merger, being misled about the backing etc (9)
25 New Testament publication (9)
26 "X" points when nervous (5)
27 "Oh tis a glorious thing, I ween, to be a —— Royal Queen!" Gilbert (7)
28 Return is nil in the small department store (7)

DOWN

1 Pens should be put among aquatic birds (7)
2 Play affecting morale with mad results (9)
3 Pick-me-up for heavyweight in charge (5)
4 Fun lowers agitation, but it could be a bloomer (9)
5 A food establishment first-class inside – the outside's of no interest (5)
6 Offering about the same for a top man (9)
7 Superior port (5)
8 The fall of the French and American currency (7)
14 A course set at intervals? (9)
16 Thought to put spirit into a fellow (9)
17 One's after obvious hints (9)
18 A personal voucher (7)
20 Forced about five hundred on to the street with least reason (7)
22 Pluck is called for to make such a sound (5)
23 The church always brings comfort (5)
24 Legally prevent oriental vessels turning round (5)

Solution to Puzzle No.7,981

TESTER CUPBOARD / LADDER WARDROBE / BOBOLINK STANDS / YEAR TANNHAUSER / CIDERAPPLE CARD / ENTICE UMBRELLA / TUBBABLE COFFEE / FREERIDE TROYES

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Oct 20	Oct 19	Oct 16	Oct 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3186.02	3188.45	3174.41	3174.68	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.99	102.21	102.27	102.50	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1296.51	1284.22	1283.21	1260.65	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.51	217.95	218.14	217.70	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3223.31 (3211.15) Low 3166.30 (3154.14) (Theoretical)♦
Day's High 3213.04 (3197.64) Low 3179.00 (3168.19) (Actual)♦

STANDARD AND POOR'S

	Oct 20	Oct 19	Oct 16	Oct 15	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	415.48	414.98	411.73	409.60	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	486.44	485.94	481.74	479.32	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	36.65	36.51	35.94	35.66	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	228.58	228.24	226.44	225.54	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	371.40	369.54	367.33	365.63	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	592.71	590.67	582.61	578.64	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 16	Oct 9	Oct 2	year ago (approx.)
Dow Industrial Div. Yield	3.27	3.31	3.24	3.00

	Oct 14	Oct 7	Sep 30	year ago (approx.)
S & P Industrial div. yield	2.76	2.80	2.70	2.69
S & P Indl. P/E ratio	26.77	26.45	27.40	21.44

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Chrysler	6,851,700	25¼	+ ¼
Reebok	6,477,700	27¼	- 1¼
Philip Morris	4,099,900	77¾	+ 1¼
Merck	3,974,800	42¼	- 2¼
Compaq Computr	3,806,300	39½	- 1¼
IBM	3,153,800	68¾	- ¼
Telefonos	2,963,900	48⅞	+ 1
Arkla	2,853,100	7¾	- 1⅞
Coca Cola	2,833,400	40⅞	- ¼
Gen Motors	2,551,600	30	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Oct 20	Oct 19	Oct 16
New York SE	258.220	218.670	234.480
Amex	13.731	10.205	11.657
NASDAQ	(u)	198.129	183.835
NYSE			
Issues Traded	2,365	2,355	2,336
Rises	1,031	1,070	947
Falls	816	743	808
Unchanged	518	542	581
New Highs	104	88	48
New Lows	42	45	52

CANADA

TORONTO	Oct 20	Oct 19	Oct 16	Oct 15	1992 HIGH	1992 LOW
Metals & Minerals	2630.44	2643.03	2641.53	2603.82	3238.87 (16/1)	2603.82 (15/10)
Composite	3241.80	3225.48	3207.70	3196.14	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1691.36	1681.83	1668.88	1663.16	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

Bangkok SET (30/4/75)	878.68	868.34	871.58	
WORLD				
M.S. Capital Intl.(1/1/70) (b)	488.7*	491.1	490.7	
Euro Top-100 (26/6/90)	821.32	803.82	806.33	

**Saturday October 17: Taiwan Weighted Price: 3749.32, Korea ... § Subject to official recalculation. † Correction.
Base values of all indices are 100 except: Austria Traded, BEL20, ... Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – ... (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Tuesday, October 20, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	2.9m	653	+5	Npn Steel Chem	1.9m	295	+4
Green Cross	2.6m	1,600	+20	Ishi-Har Hvy Ind	1.8m	472	-6
Hitachi	2.4m	723	-8	Aishin Seiko	1.8m	689	+2
Mitsui Mnl&Oil	2.1m	457	-1	Nikkan Chem	1.7m	989	+82
Toshiba Corp	2.1m	667	-10	Meiji Milk Prod	1.6m	948	+1

3 pm October 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15½	11	AAR Corp	0.48	4.2	18	484	11½	11¼	11½	+¼
26	18	A L Labs A	0.18	0.7	91	1157	u26	25½	25¾	+1¼
68¼	52½	AMP Inc	1.52	2.4	25	1466	63½	62⅝	63	-⅜
68¼	54½	AMR				225546	61½	60¼	61	+⅝
2½	1⅛	ARX			20	57	1⅞	1¾	1⅞	+⅛
52½	33¼	ASA	2.00	5.9	22	189	34½	33⅞	34⅛	+⅜
34¼	25½	Abbott Lab	0.60	2.1	20	7771	29¼	28¾	28¾	-⅜
13⅞	11⅛	Abitibi Pr	0.42	3.7	6	12	11½	11⅜	11⅜	
11⅝	10⅜	ACM Gvt In	0.96	8.5		99	11¼	11⅛	11¼	+⅛
10⅝	9½	ACM GvOpp	0.79	8.2		138	9⅝	9½	9⅝	
9¼	8½	ACM Gvt Sp	0.79	8.7		554	9½	9	9½	-¼
11½	10⅛	ACM Gvt Se x	0.98	8.9		488	11⅛	10⅞	10⅞	-⅜
10⅞	8⅞	ACM Man	1.08	10.9		181	10⅛	9⅞	9⅞	-⅛
12⅞	9⅞	ACM Managd	0.99	10.3		277	9⅞	d9⅝	9⅝	-¼
11¾	4⅛	Acme Cleve	0.40	6.0	12	36	6¾	6⅝	6⅝	
6¼	3¾	Acme Elect			30	27	4¼	4	4	-¼
23¼	14½	Acuson			10	1953	16⅛	15⅞	15⅞	-⅛
20	12½	Adams Expr	0.48	2.5	0	40	19⅝	19¼	19⅝	-⅛
43½	29½	Ad Micro	3.00	7.8		175	39	38½	38½	-⅛
21½	7½	Ad Micro P	3.00	21.6	4	1498	14¼	13⅞	13⅞	+⅛
9½	4⅞	Advest Grp	0.16	2.7	73	12	5⅞	5¾	5⅞	
42¼	33	Aegon ADR	1.35	3.2	7	120	u42½	41⅞	42¼	+½
47	38	Aetna Ll	2.76	6.6	10	1112	42¼	42	42	
12¼	8⅞	Ahl A	0.24	2.2	14	735	11¼	10⅞	10⅞	
34	24	Aflac	0.44	1.5	14	1534	29⅞	29⅝	29⅝	
19⅞	13	Ahmanson	0.88	6.5		61843	14⅛	13½	[illegible]	-⅜
22⅞	[illegible]	Aileen Inc			7	120	4⅝	4¼	4⅝	+⅜
49½	35½	Air Pr Chm	0.86	1.9	19	1832	46⅝	45⅞	46⅛	+⅞
29¼	12½	Airbne Frt	0.30	1.7	34	1797	18½	17¾	17¾	+⅛
34⅞	22⅝	Airgas Inc			28	81	u34⅞	34⅛	34½	+¼
12⅞	8⅛	Airlease x	1.68	15.1	8	22	11⅛	11⅛	11⅛	
104	99½	AlaPw8.16	8.16	8.0		2	101¾	101¾	101¾	
105	100¼	Alab 8.28C	8.28	8.0		4	103½	103¼	103¾	
11¼	10½	AlaPwDpPf	0.87	7.9		z100	10⅞	10⅞	11	
23⅞	14¼	Alaska Air	0.20	1.3	6	287	15¼	15⅛	[illegible]	
21⅝	11¼	Albany Int	0.35	2.9	46	2947	12	11⅝	12	+½

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
8⅛	2⅞	Salant Crp			10	27	7¼	7⅛	7⅛	-⅛
78	63½	Sallie Mae	1.00	1.4	17	2516	72	71⅛	71⅝	+½
14¼	13	Salomon Br	0.60	4.3		157	14	13¾	13⅞	-⅛
38	26¾	Salomonlnc x	0.64	1.7	7	12772	u38¼	37¼	37⅜	-⅝
25	21⅛	SanDgo G&E	1.44	6.0	14	585	24¼	24	24	
4⅞	2⅛	SantaFeEDu x	0.40	9.7	45	10	4⅛	4	4⅛	
9⅞	7	SantaFeEn x	0.18	1.6	26	51262	u9⅞	9⅛	9¼	+⅛
39¼	30⅛	SantaFePac	2.80	7.2	11	19	39	38⅞	38⅞	-⅛
14⅛	10⅝	SantaFeSth	0.10	0.8	15	9025	12⅞	12⅛	12¼	
58½	46⅛	Sara Lee	1.00	1.7	18	982	58⅞	57¾	58	
9½	1⅛	Savin			0	4	1⅝	1½	1½	
44¾	38⅝	Scana Corp	2.66	6.4	13	127	42¼	41⅛	41⅛	-½
47⅞	40⅛	Scecorp	2.80	6.4	13	1642	44⅛	44	44	-¼
68	49⅞	SchergPl	1.56	2.6	17	9047	61	59¾	59¾	-⅞
68⅞	52¼	Sch'berger	1.20	1.7	20	8714	u70⅛	69½	70	+⅛
37⅛	16⅝	Schwab(C)	0.24	1.3	10	817	18⅜	18⅛	18⅜	+⅛
10⅛	4½	Schweitzer			54	125	6	5⅝	6	+½
29⅞	15⅛	ScientAtln	0.16	0.6	41	667	29	28½	28⅞	+⅝
10⅝	7⅛	Scimed x	0.10	1.1	110	82	9	8⅞	8⅞	+⅛
46	34½	ScottPaper	0.80	2.2	18	1464	37⅝	35⅝	36	-1¼
17½	13½	ScuddrNAsF	0.22	1.5		60	14½	14⅛	14½	+⅛
9⅞	8⅞	ScuddrNEuF	0.30	3.5		388	8⅝	8½	8½	+⅛
24	13	Sea Contrs	0.57	4.2	8	58	13⅝	13⅜	13⅝	+¼
15⅞	14⅞	SeaC1.4625	1.46	9.4		2	15½	15⅛	15⅝	+⅛
31	25⅛	Seagram Co	0.56	2.2	13	9020	25¾	25⅝	25¾	+⅛
32	21⅝	Seagull En			108	194	31	30⅞	31	
28½	20½	Sealed Air			10	818	22½	21½	21⅝	+½
23	12⅛	SPX Corp	0.40	2.0	27	406	20⅛	19½	19⅞	-⅛
48	37	Sears Roeb.	2.00	4.7	10	9098	42⅞	42⅛	42⅛	-¼
13⅛	11⅞	Seligm Sel	0.84	6.7		27	12⅝	12½	12½	
31¼	22½	Sensormat	0.30	1.1	24	1638	27½	26⅞	27⅛	+⅛
[illegible]										

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
34⅛	24⅞	Xtra 1.94	1.94	6.0		7	32⅛	32⅛	32⅛	+⅛
47⅛	28½	Xtra Corp	0.80	1.8	13	75	44⅛	44⅛	44⅛	
30⅝	25¼	Yankee Egy	1.66	5.6	13	16	30	29⅝	29⅞	-⅛
1½	⅛	Zapata			29	30	1⅛	1⅛	1⅛	
11⅛	5⅛	ZenithElec				51165	6	5⅛	5⅞	+⅛
19⅛	14⅛	Zenith Nat	1.00	6.0	8	16	16⅞	16⅝	16⅝	
7½	6	Zenix Inc x	0.62	11.6		63	7	6⅞	6⅞	-⅛
13⅛	10	Zero Corp	0.40	3.6	15	647	11⅛	11	11⅛	+⅛
36	27⅛	Zurn Ind x	0.88	2.8	24	229	32	31½	31½	-⅛
14⅛	12	Zweig Fund	1.12	9.1		186	12⅛	12¼	12¼	
11	9½	Zweig Tot	0.86	8.7		380	9⅞	9⅝	9⅞	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm October 20

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							
Pet HeIP	1.14	15	5	16	16⅛	16⅛	
[illegible]							

NASDAQ NATIONAL MARKET

3 pm October 20

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

- T - [illegible]

- U - [illegible]

- V - [illegible]

- W - [illegible]

- X - Y - Z - [illegible]

AMERICA

Dow loses early gains on easier bond prices

Wall Street

AFTER opening brightly on good news from the housing sector, US share prices fell back yesterday in the wake of fresh declines in bond prices and some program selling, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down 2.43 at 3,186.02, compared to its morning peak when the index had been up more than 20 points.

The more broadly based *Standard & Poor's* 500 finished up 0.51 at 415.49, while the Amex composite ended up 2.86 at 371.40 and the Nasdaq composite 2.03 higher at 592.70. Turnover on the NYSE was heavier for the second consecutive day at 256m shares.

Prices gained early strength from overnight gains in Tokyo and Europe, where equities *had firmed in anticipation of* an interest rate cut by the Bundesbank.

Wall Street was also cheered by an unexpectedly large 1.4 per cent rise in September housing starts, a welcome piece of good news from the residential property market. Sentiment was also helped by the fact that investors are becoming used to the idea of a Clinton presidency. Monday night's final presidential debate did little to change the dynamics of the election race, and the market is increasingly convinced that Mr Bill Clinton will win in November.

The same confidence in a Democratic victory, however, depressed bond prices, sending the yield on the 30-year Treasury issue up above 7.6 per cent for the first time since July. That, together with some *program selling*, prompted the gradual decline in stock prices.

The dominant influence on trading was third quarter figures. Chrysler rose $⅜ to $25⅛ in turnover of 5m shares after reporting a quarterly profit of $202m, up from a $82m loss a year ago and inclusive of a special $101m charge to cover the restructuring of its car rental *operations. The figures* boosted Ford, up $1⅛ to $38⅛ and General Motors, up $¾ to $29⅞, both in heavy trading.

Bank stocks were in the limelight. Citicorp firmed $¼ to $15¼ in turnover of 1.6m shares after the banking group announced third quarter profits of $116m after a restructuring charge. Wells Fargo rose $⅜ to $64⅞ in spite of a 72 per cent decline in quarterly income to $24m and a big increase in loan loss provisions to $400m. Banc One rose $1⅛ to $46⅞ after reporting net income of $186.2m in the third quarter, up sharply from $140.4m in the year-ago period.

Compaq rose $1⅛ to $39⅞ in turnover of 3m shares after the broking house Alex Brown upgraded the stock to "buy" from "neutral" in the wake of the announcement from the company that it had made a profit of $49.4m in the third quarter, a turnround from last year's $70.2m loss.

Canada

TORONTO stocks ended broadly higher in active dealings. The TSE 300 composite index gained 16.36 points, or 0.51 per cent, to end at 3,241.84. Advancing issues topped declines 297 to 235.

Volume was 30.7m shares worth C$283 against the previous 25.7m worth C$208m. Eleven of 14 sub-groups made gains.

EUROPE

Bundesbank's repo signal lifts bourses

BOURSES seized on the Bundesbank's signal of a further decline at the short end of the German fixed-interest market, via today's "repo" tender, as an indication of a cut in key interest rates by December, and share prices rose accordingly, *writes Our Markets Staff.*

Meanwhile, the long end of the bond market surged again yesterday, with the Bundesbank's average bond yield down another 10 basis points to 7.26 per cent, a fall of 28 basis points since Friday.

FRANKFURT also liked the strength in the dollar as the *DAX index rose 32.48 or 2.2 per* cent to 1,511.55. German market turnover showed its first serious increase in a fortnight, up from DM4.2bn to DM7.2bn.

Of the 30 shares in the DAX index, only one share declined. Volkswagen fell DM1.50 to *DM371.50 against a rise of* DM16.30, or 3.6 per cent to DM482.80 in BMW. There were reports that DB Research had cut its 1992 EPS forecast for VW from DM8 to DM3 a share; but there was also a suggestion of profit-taking since VW has recovered by DM25 or 10 per cent from its low of DM248 earlier this month on the Warburg downgrading which, apparently, talked about nil earnings this year.

Chemicals, big exporters, reflected the rise in the dollar. Hoechst *which put on DM9.80* or 4.3 per cent to 236.80. BASF was more sedate with a DM5 gain at DM215.50, and held it after hours although news of a cut in employee bonuses appeared to substantiate outside forecasts of another dividend cut this year.

PARIS rose 3.1 per cent in heavy volume of FFr3.2bn, also fanned by expectations of lower interest rates and by the stronger dollar. The CAC-40 index added 52.20 to 1,731.26.

Three-month money market rates fell below 10 per cent for the first time since the ERM turmoil to stand at 9⅞ per cent, signalling a cut in headline rates. But brokers said that the stock market had already discounted a ¼-point cut and that foreigners were using the market's strength to sell French holdings.

Interest rate-sensitive stocks benefited the most, with UAP rising FFr21.50 or 5.5 per cent to FFr411.50, Société Générale FFr13 better at FFr550 and Paribas up FFr14.90 to FFr325.80.

Trading in Avenir Havas resumed yesterday after the Consob approved Havas's offer to buy out minorities in its outdoor advertising unit. Avenir Havas was the day's biggest riser, adding FFr25.80 or 26.5 per cent to FFr123.

MILAN was optimistic on interest rates, and progress in passing the 1993 budget. Activity centred on privatisation stocks and dealers reported the first evidence of foreign participation in the current rally. The Comit index rose 5.0 or 1.2 per cent to 416.11.

The state-controlled food manufacturer and distributor, Sme, was in demand, rising L263 or 6.4 per cent to L4,115. Elsewhere, Montedison rose L56 or 5.2 per cent to L1,129 on news that it was withdrawing its sponsorship of sporting events as part of its cost-cutting exercise.

AMSTERDAM improved in line with neighbouring markets with internationals assisted by the stronger dollar. The CBS Tendency index closed 1.5 higher at 105.5.

Hoogovens and Océ-van der Grinten continued Monday's declines with falls of Fl 1.30 and Fl 1.70 respectively to Fl 29.70 and Fl 36.80. DAF, which denied rumours that VW was interested in its van division, advanced 40 cents to Fl 13.20.

Banks and insurers were strongly traded with ABN Amro up Fl 1.20 to Fl 49.90, while Royal Dutch gained Fl 2.00 to Fl 145.60 and Unilever rose Fl 3.60 to Fl 187.00.

MADRID rose across the board in active trading inspired by hopes of lower European interest rates. There was also a rumour of a further devaluation in the peseta before the weekend, some analysts said. *The general index* closed 4.77 higher at 260.09.

The construction sector was strong, with Cubiertas and FCC each gaining more than 10 *per cent,* up Pta360 and Pta550 respectively to Pta3,650 and Pta6,950.

There was heavy volume in Telefónica, up Pta38 at Pta960 and Endesa, up Pta180 at Pta3,140.

STOCKHOLM's Affärsvärlden General *index rose 23.9* or 3.6 per cent to 684.2 in turnover of SKr308m after SKr303m. Monday's joint bid by Volvo and Skanska to buy outstanding shares in the investment companies Custos and Protorp helped Volvo B jump SKr11, or 4.9 per cent to SKr235 while Skanska advanced SKr5.50, or 11.5 per *cent to SKr53. OSLO's all-share* index rose 13.48 to 347.24, Norsk Hydro rising NKr9 to NKr139 ahead of Monday's interim figures.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

October 20 Hourly changes	Open	11.30	12.00	13.00	14.00	15.00	16.00	Close
FT-SE Eurotrack 100	1018.37	1017.79	1017.90	1017.22	1022.05	1022.23	1021.00	1021.70
FT-SE Eurotrack 200	1085.20	1083.63	1084.94	1083.78	1087.14	1087.30	1085.51	1090.40

	Oct 19	Oct 16	Oct 15	Oct 14	Oct 13
FT-SE Eurotrack 100	1001.00	996.54	998.55	992.09	999.62
FT-SE Eurotrack 200	1063.18	1066.23	1061.28	1074.77	1055.33

Base value 1000 (26/10/90) High/day: 100 - 1023.77; 200 - 1090.40 Low/day: 100 - 1016.72; 200 - 1082.42

South Korea tries to woo more foreign investors

Sara Webb reports from Seoul on measures to breathe life into one of Asia's worst performers

South Korea is forging ahead with plans to widen foreign ownership of shares this autumn, but analysts in Seoul doubt whether *the latest moves will be sufficient* to revitalise the stock market – one of the worst performers in Asia this year.

Since the start of 1992, foreigners have been allowed to invest directly in companies listed on the Seoul stock exchange. *Most companies* have a 10 per cent ceiling on foreign ownership, with individual foreign investors allowed no more than 3 per cent of the shares.

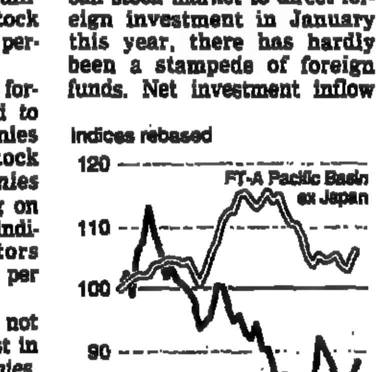
Although foreigners have not been been allowed to invest in *certain "strategic" companies*, the authorities are gradually easing these restrictions. Last Tuesday, shareholders in Pohang Iron and Steel (Posco), the world's third largest steel group, voted in favour of allowing foreign investors to own up to 8 per cent of the company. Next month, Korea Electric Power (known as Kepco), the state-controlled electricity generator and supplier, is also expected to allow foreign ownership of its shares.

Stock brokers reported only *muted international interest in* Posco's shares last week after the restrictions had been lifted. Foreigners may have been deterred by the fact that the world steel industry is having a difficult time, brokers say. However, Kepco is expected to attract more attention from foreign investors, given its monopoly position and the fact that it is in a sector which is viewed more favourably by fund managers.

On top of these measures, foreign securities houses in Seoul hope that the ministry of finance will raise the limits on ownership still further, allowing foreigners to invest directly in up to 25 per cent of a company's shares without needing to seek special approval.

Since the opening of the Kor*ean stock market to direct for*eign investment in January this year, there has hardly been a stampede of foreign funds. Net investment inflow

Indices rebased



Source: Datastream

from foreigners amounted to US$997m, according to the Securities Supervisory Board, well below expectations. International investors have been deterred by the 10 per cent limit on ownership which makes it difficult for large *investors to buy "reasonable"* amounts – of $5m or more.

A further opening of the market could provide a welcome shot in the arm for Korean equities, which have dropped steadily over the last three-and-a-half years. The *composite index has tumbled* from its high of 1,007.77 on April 1, 1989, to a low of 459.07 on August 21 this year. It has recovered slightly since then, closing at 540.45 yesterday.

The market's doldrums reflect a number of concerns. Economic growth, which exceeded 12 per cent a year between 1986 and 1988, slowed down considerably in the late 1980s and is expected to be around 6 or 7 per cent in 1992.

Since the start of the 1990s, investors have been deterred *by rising inflation, high labour* costs, high nominal interest rates, sluggish corporate earnings growth, and deteriorating trade and current account deficits.

The government has attempted, since the autumn of 1989, *to reverse the market's* decline with a series of market-boosting measures. It set up a market stabilisation fund with the express purpose of buying shares and supporting stock prices.

In addition, the domestic *investment trusts, banks*, securities houses, pension and insurance funds were instructed to buy shares, and according to the latest package of market support measures – announced in August – institutional investors must remain *net buyers of stock.*

The measures have been to almost no avail. With the domestic institutions now sitting on an estimated $10-15bn in shares – out of a total stock market capital*isation of around $70bn* – due to these enforced market support measures, some analysts predict that the upside to any recovery is likely to be fairly limited. They fear that investors are likely to dump shares as soon as the index reaches a *threshold of around 800 to 850.*

The more optimistic domestic stock brokers believe that the market will pick up again once the presidential election – due in December - is out of the way. With the appointment of a new president, the market *should have a clearer picture* about the government's medium-term economic policy.

ASIA PACIFIC

Nikkei fails to close above the 17,000 level

Tokyo

SHARE prices ended marginally higher after index-linked buying by investment trusts overcame selling by arbitrageurs, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 83.85 higher at 16,987.66 after a low of 16,821.36 and a high of 17,050.25. Volume rose slightly to 200m shares from 182m. Declines led advances by 488 to 391 with 194 unchanged, the *Topix index of all first section* stocks lost 2.12 to 1,290.87 and, in London, the ISE/Nikkei 50 index rose 1.29 to 1,040.62.

Hopes of lower interest rates were fanned by lower money market rates. The overnight uncollateralised call rate fell to *4.03 per cent yesterday, the* lowest since February, 1989.

However, some analysts expect only a limited easing in monetary policy. Mr Peter Tasker, strategist at Kleinwort Benson, said that negative fundamentals, such as the stag*nant* property market and lower corporate profits, would weigh down share prices even if the official discount rate were to be lowered. He added that the near-term ceiling for the Nikkei would be 19,000.

Activity was also constrained by the September money supply figures, which were announced after the market closed, indicating negative growth for the first time ever.

Some interest rate-sensitive, large-capital issues were bought on hopes of lower interest rates. *Mitsubishi* Heavy Industries, the most active stock of the day, gained Y3 to Y553 and Nippon Steel gained Y4 to Y293. Power utilities, also regarded as beneficiaries of lower rates, were in demand, with Tokyo Electric *Power rising Y10 to Y2,630.*

Food companies, whose profits have not been affected by the economic downturn so far, were firm. Kikkoman, the soy sauce maker, gained Y12 to Y967, and House Food Industrial advanced Y30 to Y2,130.

Hyogo Bank, a regional bank in western Japan, which announced a restructuring plan to deal with financial problems at its three non-bank subsidiaries, plunged Y191 from Friday's close to Y559. Hyogo failed to trade on Mon*day, due to a flood of sell* orders.

In Osaka, the OSE average fell 48.11 to 18,661.56 in volume of 11.4m shares.

Roundup

AFTERNOON profit-taking took a number of markets in the region off their day's highs yesterday.

HONG KONG's gains on Monday's appearance of the senior Chinese leader, Deng Xiaoping, at the communist party congress in Beijing were wiped out by afternoon selling *and the Hang Seng* index finished 1.40 lower at 6,088.51 after an intraday high of 6,167.02.

Selling began shortly after the Hang Seng broke above the record closing high of 6,162.53 set in July, although brokers *said many local investors* were taking profits ahead of Governor Chris Patten's visit to Beijing, where he is expected to get a cold reception from Chinese officials angered by his plans to expand democracy in the colony.

AUSTRALIA also finished off its highs, but still stronger on the day in light trading led by technical support and futures activity. The All Ordinaries index closed 9.3 higher at 1,426.9 in relatively low turnover of A$200.6m.

Despite a small upturn in world bullion prices, the golds index dropped 20.8 to 962.7, hit by political uncertainty and civil unrest in Papua New *Guinea. The joint owners of* the Porgera gold mine suffered the most, with Placer Pacific falling 14 cents to A$1.86, Highland Gold losing 10 to 86 cents, although Renison finished steady at A$3.60.

MANILA slid further on the *Philippines power crisis*, kidnappings and coup rumours, the composite index losing 13.20 to 1,344.41. TAIWAN, however, rescued itself from an earlier *slump*, the weighted index closing 10.34 lower at 3,724.17 after a fall of 50 points at one stage.

BANGKOK was cheered by *the resumption of trading in* Bangkok Bank of Commerce, which drew buying in other banks as the SET index rose 10.34, or 1.2 per cent to 878.68 in turnover of Bt8.3bn.

Bangkok Bank of Commerce, suspended by its manage*ment's request since October* 12, was the most active stock as it gained Bt2.50 to Bt29.50 in turnover of Bt508m.

BOMBAY fell on arbitrage selling as the market re-opened after Friday's brokers' boycott and Monday's closure for settlement work.

The BSE index fell 35.55 to 3,050.90 on reports that tax officials had seized unaccounted assets worth Rs8bn, including *shares worth Rs7.8bn, from* 14 brokers raided last week.

SOUTH AFRICA

SHARP gains in De Beers, Anglo American and Minorco contributed to a 58-point gain in the overall index to 3,000 in low volume. The gold index *climbed 50 to 849 and industrials* were 31 higher at 3,967. De Beers rose R2 to R48.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 20 1992								MONDAY OCTOBER 19 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	119.67	+0.6	109.15	92.25	94.54	111.31	+1.0	4.39	118.97	108.08	90.05	91.76	110.19	153.68	118.97	158.25
Austria (19)	148.64	−1.4	135.57	114.58	117.42	116.76	+0.6	2.42	150.71	136.91	114.08	116.24	116.03	186.70	139.27	164.85
Belgium (42)	136.71	−0.6	124.69	105.38	108.00	105.35	+1.7	5.85	137.56	124.96	104.12	106.09	103.63	152.27	135.87	128.96
Canada (114)	115.07	+1.1	104.95	88.70	90.90	103.16	+0.4	3.43	113.85	103.43	86.17	87.80	102.76	142.12	112.97	139.63
Denmark (33)	191.86	−1.8	174.99	147.90	151.57	152.59	+0.4	1.87	195.46	177.57	147.96	150.76	151.93	273.94	191.86	254.11
Finland (15)	60.15	−0.4	54.86	46.37	47.52	60.28	+0.7	2.34	60.39	54.86	45.72	46.58	59.89	89.80	52.84	84.06
France (101)	*147.83*	*+0.2*	*134.83*	*113.95*	*116.77*	*119.54*	*+2.6*	*3.77*	*147.59*	*134.08*	*111.71*	*113.82*	*116.45*	*168.75*	*146.54*	*136.66*
Germany (64)	109.06	−0.4	99.48	84.08	86.16	86.16	+2.0	2.67	109.54	99.51	82.93	84.48	84.48	129.69	106.62	105.99
Hong Kong (53)	251.35	−0.1	229.25	193.76	198.57	249.46	−0.1	3.57	251.57	228.54	190.43	194.04	249.72	259.55	176.36	164.01
Ireland (16)	132.17	+1.0	120.55	101.89	104.41	106.54	+2.0	5.09	130.87	118.89	99.06	100.93	104.42	173.71	130.87	158.68
Italy (77)	55.06	−0.8	50.22	42.44	43.49	54.93	+2.0	3.76	55.51	50.43	42.02	42.81	53.87	80.86	47.47	69.50
Japan (472)	105.59	−2.0	96.31	81.40	83.43	81.40	−0.2	1.06	107.71	97.85	81.53	83.09	81.53	140.95	87.27	142.15
Malaysia (69)	254.55	+0.2	232.17	196.22	201.09	245.97	+0.4	2.66	253.94	230.70	192.22	195.85	244.90	254.55	212.49	198.30
Mexico (18)	*1383.45*	*+1.1*	*1261.82*	*1066.45*	*1092.90*	*4740.46*	*+1.1*	*1.27*	*1367.95*	*1242.72*	*1035.48*	*1056.06*	*4687.36*	*1789.77*	*1185.84*	*1321.71*
Netherland (25)	157.70	−0.7	143.83	121.56	124.58	123.11	+1.8	4.60	158.77	144.24	120.18	122.46	120.94	169.70	147.88	140.30
New Zealand (14)	38.79	−0.1	35.38	29.91	30.65	38.22	−0.2	5.93	38.83	35.27	29.39	29.96	38.28	48.52	38.79	47.89
Norway (22)	140.19	+2.7	127.87	108.07	110.75	117.93	+5.3	2.05	136.57	124.07	103.38	105.34	112.01	192.95	136.04	192.52
Singapore (38)	180.66	−0.7	164.78	139.27	142.72	134.29	−0.5	2.45	181.85	165.20	137.65	140.25	134.92	229.63	180.66	198.57
South Africa (60)	152.25	+0.8	138.86	117.36	120.27	144.84	+2.3	3.52	151.10	137.27	114.38	116.54	141.59	263.60	144.29	254.47
Spain (48)	113.31	−1.0	103.35	87.35	89.52	92.80	+2.6	6.45	114.45	103.97	86.64	88.27	90.48	161.72	110.05	153.83
Sweden (31)	152.47	+1.2	139.06	117.53	120.45	129.22	+3.5	3.03	150.68	136.89	114.06	116.22	124.81	200.28	149.69	181.78
Switzerland (60)	112.50	−1.9	102.61	86.73	88.89	94.89	+1.0	2.26	114.73	104.23	86.85	88.50	94.00	122.37	95.99	94.65
United Kingdom (228)	167.87	+1.7	153.11	129.39	132.60	153.11	+2.1	4.79	165.09	149.97	124.95	127.32	149.97	200.07	164.88	175.88
USA (522)	169.59	+0.1	154.68	130.74	133.98	169.59	+0.1	3.00	169.43	153.92	128.26	130.68	169.43	173.39	160.92	157.83
Europe (781)	135.61	+0.4	123.80	104.46	107.06	115.54	+2.0	4.07	135.02	122.65	102.20	104.14	113.22	156.88	135.02	138.38
Nordic (101)	142.16	+0.3	129.66	109.59	112.31	113.71	+2.7	2.59	141.69	128.71	107.25	109.28	110.76	188.52	141.24	181.74
Pacific Basin (714)	110.43	−1.7	100.72	85.13	87.24	86.91	−0.1	1.40	112.34	102.05	85.04	86.64	87.00	141.97	93.70	142.61
Euro – Pacific (1495)	120.58	−0.8	109.98	92.94	95.25	98.50	+0.9	2.61	121.51	110.39	91.97	93.71	97.65	145.21	113.80	141.28
North America (636)	166.20	+0.1	151.59	128.13	131.32	165.08	+0.1	3.02	165.98	150.78	125.65	128.04	164.80	170.49	158.70	156.44
Europe Ex. UK (553)	115.87	−0.6	105.68	89.34	91.56	94.92	+2.0	3.56	116.52	105.85	88.22	89.88	93.04	132.98	115.41	116.13
Pacific Ex. Japan (242)	157.92	+0.1	144.04	121.75	124.77	143.08	+0.3	3.71	157.70	143.27	119.39	121.64	142.63	175.31	149.00	147.05
World Ex. US (1687)	121.48	−0.7	110.80	93.65	95.97	100.32	+0.9	2.64	122.30	111.10	92.58	94.33	99.45	145.91	118.18	143.14
World Ex. UK (1981)	*133.81*	*−0.6*	*122.05*	*103.16*	*105.72*	*118.45*	*+0.4*	*2.56*	*134.60*	*122.28*	*101.90*	*103.83*	*118.01*	*150.58*	*127.21*	*144.19*
World Ex. So. Af. (2149)	136.77	−0.4	124.74	105.44	108.05	121.29	+0.5	2.78	137.27	124.70	103.92	105.88	120.85	153.05	130.04	146.25
World Ex. Japan (1737)	154.54	+0.2	140.95	119.14	122.10	144.85	+0.8	3.41	154.19	140.07	116.72	118.94	143.69	165.40	151.93	150.82
The World Index (2209)	136.77	−0.4	124.75	105.44	108.05	121.55	+0.5	2.79	137.26	124.69	103.90	105.87	120.89	153.70	130.66	146.96

FINANCIAL TIMES SURVEY

EUROPEAN BUSINESS LOCATIONS

SECTION III

Wednesday October 21 1992

The corporate scramble to establish a base within the world's largest single trading block has been frenetic. Although the pace has been slowed by the erosion of economic confidence, eyes are now shifting further east as Europe's enormous potential takes on a new dimension. Michael Cassell reports

Europe-wide market lures

EUROPE faces a long, tough struggle if its political ambitions are ever to bear fruit, but, with 10 weeks to go until the completion of the European Community's internal market, there can be no such uncertainties over the potential of its combined, economic power.

The creation of the world's largest single trading block, permitting the free movement of goods, people, services and capital, though it will not usher in an overnight revolution in business practices and patterns, will bring into sharp focus the immense commercial potential which Europe now presents to an international business community in search of a share of the action.

Though fears of a protectionist Europe – *conspiring to close its doors on* outside competitors – have receded, the corporate scramble to establish a base within the community has been frenetic, slowed only by the international turndown in economic confidence.

Global figures on direct *foreign investment already* demonstrate that Europe is a prime target for a large slice of the funds which search the world for a home.

Total inward investment into the EC countries alone during 1991 reached nearly $65bn.

The UK, in spite of its national inferiority complex, continues to attract the lion's share of all EC inward investment.

Last year, it accounted for one-third of the total, involving more than 300 new inward projects and either creating or safeguarding more than 50,000 jobs.

American corporations continue to top the list of big spenders in Europe, with the Japanese in second place. Contrary to some expectations, many of the investment decisions do not involve high-tech installations but a range of basic manufacturing activities offering significant employment opportunities.

The search is also on for the large parcels of land – 200 acres upwards – increasingly required by the *largest*, multinational organisations, as they recognise that the removal of national barriers within the EC often negates the need to duplicate plants across the territory. Consolidation at a single complex, or within two or *three regional centres, is often* the answer.

Together with the European Free Trade Association (Efta) nations, the countries of the EC combine to provide a virtually barrier-free market of around 400m people in 19 countries.

Their economies are more interlinked and interdependent than ever before, and yet they contain within them wide disparities *embracing everything from* language to labour laws.

To the immediate east, the political and economic revolution under way adds another, longer-term dimension to European development.

Many companies in the free market economies will be eyeing up eastern Europe as a possible production base, while others will see it as a new market in which to sell.

Most attention has, until now, been focused on the markets of former East Germany, *where the Treuhand-anstalt privatisation agency is* planning to dispose of all saleable businesses by the end of 1993.

Around 8,000 of the 12,000 companies on its books have now gone, securing nearly 2m jobs and bringing around 250bn of new investment.

But other, former communist countries also hold out the promise of commercial success. Czechoslovakia, Poland and Hungary are playing host to increasing numbers of visitors with en eye to opening up operations. As author Daniel Burstein remarks in his book Euroquake, which paints *Europe as an economic* super-power capable of usurping the position of the US: "The cocktail lounge in the Warsaw Marriott has come to resemble the famous intergalactic space bar from Star Wars".

Less fancifully, Braxton *Associates, the international* strategy consultants, sums up: "In the next generation, eastern Europe will enter and become a significant part of the global economy.

"For those companies which have identified how that participation will impact on *their global strategy, and* responded to it, the pay-off could be enormous".

But while many companies are actively addressing, and acting upon, the challenge offered by a vast, diverse, rapidly changing European market, others have yet to *recognise the implications, or* to take appropriate action. The failure so far of hundreds of thousands of European companies to enact radical changes in the way they handle value added tax is only one example of the work left to be done.

In Britain, as elsewhere, there is considerable ministerial concern that the political ructions over Europe's development have diverted attention from the practical problems of preparing for the single market. The danger is that many companies may *quickly find themselves on the* losing end of competition from those businesses which have developed a strategy to match the European vision.

But there is also room for encouragement. Mr Paul Orchard Lisle, senior partner of Healey & Baker, the real *estate consultancy, says that* businessmen are increasingly thinking as Europeans, able to take a broader view of commercial opportunities and keen to improve their knowledge of local markets.

According to Ernst & Young Corporate Location, the *location specialists, there is a* growing tendency for companies to discard the notion of the nation state and instead to think Europe-wide for their markets and regionally for their facilities.

But where are companies supposed to begin as they *construct their European* business strategies?

"You just cannot ask someone to fly to Amsterdam, Paris, London and Frankfurt, speak to everyone and come back with the right answers about where to set up. The decisions have become far too *complex and critical for that,"* says Dr Wilfried Vossen of Plant Location International, the Price Waterhouse business location consultancy.

Most location experts, and there are now plenty of them prepared to sell the benefit of their experience to companies on the move, agree that there is no such place as the perfect location. Most investors have to select a compromise which comes closest to meeting their requirements.

Each project will have clear technical requirements which will have a direct bearing on the choice of location, but *financing will play an equally* critical role, both in terms of operating costs and the one-off costs of acquiring land, buildings and equipment.

Operating conditions are also critical. Low wages and a plentiful supply of labour may appear attractive, until the employer realises skills levels are poor.

Sweden may have high rates of absenteeism but it boasts one of the lowest corporate tax burdens; *telecommunications* costs for multinational companies are lower in the UK, but the country, in spite of enormous improvements, still has a higher rate of labour disputes than several other EC states.

When all the technical, *financial and operational* factors have been assessed, potential investors can then consider the range of financial incentives made available in most countries.

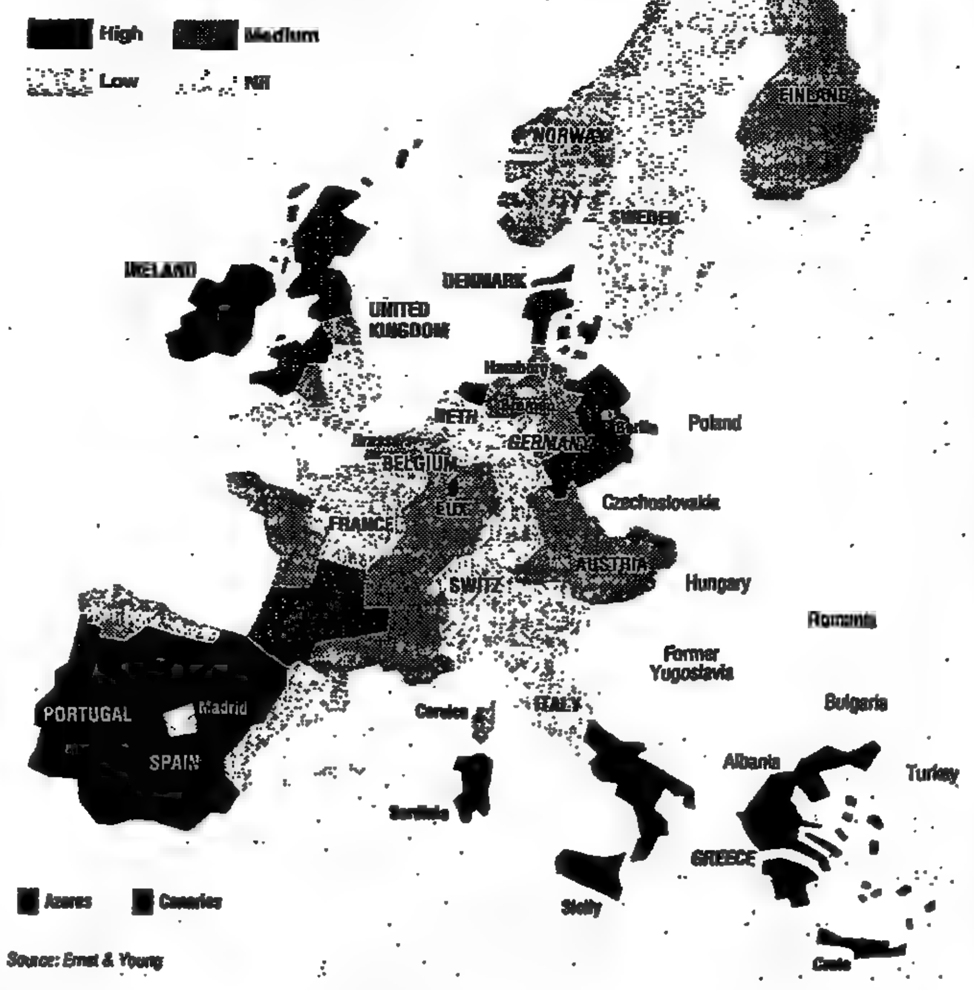
They include cash grants, interest-free loans, fast depreciation schemes, tax *credits and training grants* – all of which will require the recipient to put something back into the community, whether it is jobs, new export business or more research and development activity.

Dr Vossen at PLI says that incentives can play a crucial *role in determining a project's* profitability. PLI has researched the impact of incentives on investment decisions and concluded that net cash investment for the same project less than 100km apart can vary by nearly 30 per cent because of land costs and *different incentive package* combinations.

"The impression is given that investment incentives are being reduced all over Europe. The reverse is the truth, although the schemes on offer are increasingly diverse.

"Incentives can be decisive *in the final stages of the* decision-making process. But if companies are led into choosing a location primarily because of what they can get in hand-outs, it is they who will inevitably pay the price."

Regional financial incentives for corporate inward investors
(average levels of assistance)



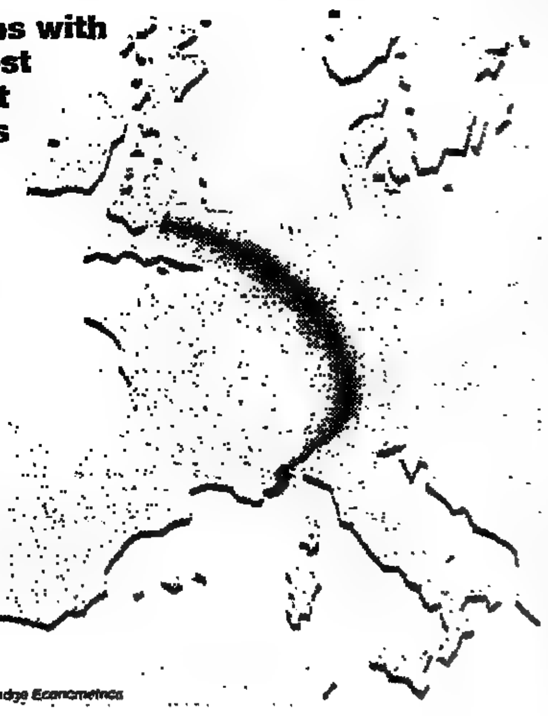
Source: Ernst & Young

IN THIS SURVEY

Editorial production: Roy Terry

EUROPEAN BUSINESS LOCATIONS 2

Regions with greatest market access



Source: Cambridge Econometrics

Michael Cassell examines the factors affecting choice

Hot banana preferred

THE decision on where best to locate a European-based business to achieve maximum commercial benefit is one which many companies have never had to make. They, like Topsy, "just growed" where they began.

But the shifting patterns of political and economic development within an EC market intended to be barrier-free in a few weeks' time means that the location of a factory, warehouse or office is critically important.

As new arrivals into the European arena weigh up the respective advantages and drawbacks of individual nations, regions and cities before making their choice, so countless numbers of well-established European companies are reappraising their location strategy.

A process of relocation and consolidation which pays little heed to a company's original European roots may well follow.

Each company will have different priorities and requirements and, as consultants Plant Location International stress, "to generalise is the biggest mistake which can be he potential investor in a new location is confronted with a bewildering mix of statistics and impressions. Glasgow offers excellent value for money in office floorspace, Lisbon provides low staffing costs, Stockholm is relatively pollution-free and Munich scores high when it comes to quality of life.

A new survey conducted among leading businessmen in nine EC countries by the Harris Research Centre for Healey & Baker, the chartered surveyors, contains few surprises in terms of the most popular business locations.

London again emerges as the favourite, given its access to markets, telecommunications and the generally supportive business climate. Paris is second and Frankfurt third.

Perhaps more interesting are those cities viewed by the business community as most likely to make an impact in the next five years. Leipzig, in the former east Germany, comes first, followed by the German cities of Stuttgart and Dresden. The same survey suggests near unanimity in the belief that Germany will inevitably become the centre of Europe.

Wherever companies chose to locate, there remain several broad categories of criteria which any business will need to consider before making a decision.

High on the list is the accessibility of the marketplace to be served, implying that Europe's peripheral regions will generally tend to be less attractive candidates. However, any disadvantage of this nature may be offset by other factors, such as availability of low-cost labour, less congestion and quality of life issues.

Countless numbers of well-established European companies are reappraising their location strategy

The regions with greatest market access are located in the so-called "hot banana", which stretches from south-east Britain through the Benelux countries, northern France, the Rhine and Rhur, Switzerland and northern Italy.

According to Ernst & Young Corporate Location, the "hot banana" accounts for only 10 per cent of the surface area of the European Economic Area (EC and EFTA nations combined) but for more than 40 per cent of its total output.

At the other extreme, the most peripheral areas include the Scandinavian countries, Greece, southern Italy, Spain, Ireland and Scotland. With 60 per cent of the EEA land area, they account for only 20 per cent of total output.

Apart from market accessibility, the Harris Research Centre study highlights several other key factors in the decision-making process, including good transport links, modern telecommunications, a range of cost issues and, less specifically, the creation of a climate which is generally supportive of the business community.

Effective, efficient transport links are universally regarded as essential and while huge investment projects are under way around the EC – the channel tunnel, the Rhine-Danube canal and a community-wide network of high-speed trains – there remain big impediments to the movement of people and goods.

A recent study showed that flight times within Europe have increased because of increasing congestion while restrictions on the movement of heavy goods vehicles in some nations is hindering the flow of traffic to others.

According to Ernst & Young: "While some of these difficulties will eventually be overcome, congestion on all forms of transport is likely to become an increasing problem."

Also high on the list in any decision on preferred locations is the question of availability of labour. For companies with labour-intensive activities, the regions of southern Europe offer the most plentiful source of manpower, as well as the lowest wages, though local skills levels, labour laws and the climate of industrial relations may not prove so advantageous.

The UK is generally deemed to have the most relaxed employment laws, with few restrictions on working hours, overtime and holidays – a position likely to persist as long as the British government withholds its support for the social chapter of the Maastricht treaty.

In contrast, dismissal and redundancy can be a lengthy and difficult affair in Spain, Portugal and Italy.

Another critical factor involves national systems of corporate taxation, which are often highly complex and which vary widely across the community. Ernst & Young calculates that Germany, Norway and Sweden impose the lowest tax burden while Spain, France and Portugal impose the highest.

Underlying the list of variables which companies must consider lies the potential availability of financial incentives on offer to companies from government agencies and from the EC, particularly in those areas attempting to reverse industrial decline.

Although the criteria for financial assistance vary, the level of help normally rests on the applicants' ability to show that the investment will have a beneficial impact on factors such as jobs and local suppliers.

But, according to Dr Wilfried Vossen, of Plant Location International – part of Price Waterhouse – "the availability of incentives can play a crucial role when all the other technical and financial considerations have been evaluated. But, in themselves, they can never be decisive".

Output and inflation forecasts

Country	GDP/GNP (%) 1992	1993	1994	Inflation (%) 1992	1993	1994
Austria	2.4	2.8	3.0	3.1	3.0	2.7
Belgium	2.0	3.5	3.2	3.2	2.8	2.6
Denmark	2.1	3.1	2.8	2.7	2.8	3.2
Finland	0.0	3.0	2.5	6.0	5.0	0.5
France	2.2	2.8	2.9	2.7	2.8	2.6
Germany	1.7	3.2	3.7	3.8	3.5	2.1
Greece	1.3	1.6	2.7	14.7	10.9	7.5
Ireland	1.4	2.6	2.9	2.7	2.7	3.5
Italy	1.8	2.3	2.4	5.7	6.1	5.1
Luxembourg	2.4	3.0		3.1	3.1	
Netherlands	1.3	3.1	2.7	3.8	3.5	2.4
Norway	2.0	2.8	3.0	3.0	2.8	2.5
Portugal	2.6	2.7	3.3	10.1	9.9	7.0
Spain	3.1	3.1	3.6	5.4	5.3	4.5
Sweden	0.0	1.9	2.0	3.1	3.2	2.4
Switzerland	1.5	3.1	3.1	5.4	4.4	3.4
United Kingdom	1.0	2.6	3.2	4.0	2.9	2.7

Source: ITEM Club, Economic Outlook 50, December 1991 OECD

Lisbon: offers low staffing costs (Picture: Lydia van der Meer)

EASTERN EUROPE

Drive for links with the west

THE collapse of Soviet power in eastern and central Europe has been accompanied by a collapse in trade with the east and a remarkable westward shift in the focus of eastern European aspirations.

Historically it was the defeat of Napoleon which confirmed Russia as a European power. Similarly, it was the vacuum at the heart of Europe caused by the defeat of Nazi Germany 130 years later that brought Soviet power to the banks of the Elbe and gave Moscow control over half the continent.

That control has now vanished, together with most of the armies which sustained it. Soon the Red Army will vacate its last bases in eastern Germany and withdraw from the Baltic states.

Germany has re-emerged as the dominant economic power in the region and is preparing to move the capital of the newly re-united country back from Bonn, on the Rhine, to Berlin in the heart of old Prussia.

It is worth dwelling briefly on the historical background to the changes now taking place in eastern Europe because this helps to underline the aberrant nature of the region's temporary control from Moscow and the underlying reasons for the enthusiasm behind the drive for ever closer economic, trade, financial, political and other links with western Europe.

Prague is one of the preferred locations for western companies

Some of the strongest supporters of the European Community idea are to be found in this region and three of the newly-liberated countries – Czechoslovakia, Hungary and Poland – already have association agreements with the EC and aspire to full membership by the turn of the century. Others like Romania and Bulgaria have similar long-term aspirations but are most distant and economically less advanced.

All three central European associate members of the EC have made rapid progress towards privatising their economies and shifting their trade to EC markets. More than 50 per cent of Hungary's exports now go to EC markets, for example, compared with only 14 per cent in the 1970s and 25 per cent in the 1980s.

Unsurprisingly, the restored importance of western trade and other links has placed a premium on proximity to EC markets. Prague, Budapest and Warsaw are busy building new hotels, office blocks, airports and updating their antiquated telecommunications.

Within 20 years a network of new motorways and upgraded railways and telecommunications will have knitted central Europe firmly into the wider EC, the ultimate shape of which still has to be decided.

Prague, the most westerly of the central European capitals, is 200km further west than Vienna and this factor, as well as its undisputed charms as a largely intact renaissance and baroque city on the banks of the Voltava river, has made the Czech capital one of the preferred locations for western companies doing business in Czechoslovakia and the region.

Investors looking for bargains from the privatisation process have also been busy snapping up engineering, glass, cement and other industries in western and northern Bohemia. This region was the industrial power house of the former Habsburg empire and borders directly on to Bavaria and the five east German länder in the throes of a reconstruction boom. Poland, too, has benefited greatly from its proximity to Germany and easy access to the European motorway and other infrastructures.

But the Czech case is the best illustration of the general principle that the prosperity and potential for future growth is highest in the western part of the region and diminishes as one travels east. The Czech lands of Bohemia and Moravia were historically wealthier and more advanced than Hungarian-controlled Slovakia. The gap looks like becoming wider after the impending divorce between the Czech lands and Slovakia.

In its favour, however, Bratislava, the Slovak capital, does have the advantage of being less than 80kms from Vienna. It hopes to attract cross-border investment into new export-orientated factories in the border area. But an independent Slovakia is expected to find increasing difficulty in attracting investment to the eastern part of the country which was highly dependent on the Soviet market and has poor road, rail and air links with the west.

Until now Hungary has been the favourite destination for foreign investors who have poured in more than $4bn of equity investment over the past three years, around 60 per cent of the total into the region. This is due both to much small investment by private Austrian, German, French and Italian entrepreneurs and to big investments by General Electric, General Motors, Suzuki, Ford and other multinationals such as Electrolux as well as the big food, tobacco and consumer goods companies. All have been looking for new low-cost production centres and new outlets for their branded products.

In terms of market potential, however, Poland, with nearly 40m people, Romania with 23m and the more distant but larger Ukraine with 52m are much more populous than Hungary, Bulgaria and the Czech lands with around 10m people each or Slovakia with under 5m.

But decisions on where to locate to serve these new markets could well be affected by moves underfoot to revive trade between these countries and especially between the so-called "Visegrad three" of Hungary, Poland and both the future Czech and Slovak republics.

The Visegrad three are exploring the feasibility of creating a free trade area offering a market of nearly 70m people.

For companies such as Electrolux, which made its first big investment in Hungary, from which it exports 60 per cent of its output to EC markets, such a development could have important investment and location implications. Mr Heikki Takanen, the company's senior vice-president for cold products, believes this would enable the company to source all its refrigerator and other cold product sales in the area from its existing Hungarian plant. It would then build new plants for stoves and its other products in Poland or Czechoslovakia to achieve the advantages of scale.

Despite the collapse of the former Soviet economy, cities such as Prague, Budapest and Warsaw are full of people with contacts and experience of trading with the huge potential markets in the 15 newly-independent former Soviet republics. Once trade and investment picks up these skills will be worth tapping again.

Anthony Robinson

Michael Cassell looks at the view from Brussels

A blueprint for planners

DESPITE the raging debate over the legitimate parameters of EC institutions in helping to build the new Europe, their role in assisting balanced economic development across the community is one of the less controversial items on the political agenda.

The European Commission readily recognises that its powers to help the construction of an economic bloc in which all nations and regions share equally are limited.

But if it is the business community itself which will ultimately prove decisive in efforts to create a universally prosperous Europe, the Commission can nevertheless play a critical enabling role, paving the way for business to do its job.

Armed with a reformed network of structural funds, the Commission is stepping up efforts to reduce the wide disparities which still exist across the community.

In the past, EC regional policy was basically confined to providing financial help for the implementation of national policies. Now, however, with the completion of the single market, capital and labour can be expected increasingly to locate where the physical and economic environment proves to be the most attractive.

As a result, the overall emphasis is to be placed on a balanced and cohesive, community-wide programme of development which will encourage economic investment to take place throughout the EC.

Given the growing backlash against the image of a burgeoning, centralised Brussels bureaucracy and the clarion call for more subsidiarity, Brussels is going out of its way to emphasise that it has no intention of assuming the planning functions carried out at member state level.

In the words of Mr Bruce Millan, the EC commissioner for regional policy: "There is no master plan for Europe".

Even so, Brussels claims that there is a pressing need for more systematic co-operation between regional planners at community level and for transport and energy issues to be considered from a regional development point of view.

The Commission is stepping up efforts to reduce the wide disparities across the community

Last year, the Commission published Europe 2000, a blueprint which broke new ground in considering regional planning at the European level. It said it no longer made sense for planning to stop artificially at national borders and that planners needed increasingly to be aware of developments taking place beyond their immediate territory.

The figures spelling out the yawning gap in EC economic performance between member states starkly underline the scale of the job to be done before any claims for a balanced economic profile can be substantiated.

By 1991, three member states – Greece, Portugal and Ireland – had a per capita gross domestic product below 75 per cent of the EC average. With the per capita income of the 10 lowest-ranking regions running at less than a third of that of the 10 highest, the unemployment rate in some areas was five times higher than in others.

Bruce Millan: there is no master plan for Europe

The proportion of young people between the ages of 15 and 19 at school or in training ranges from under 40 per cent in Portugal to more than 85 per cent in Germany, Denmark and the Netherlands. Public expenditure on research and technical development is up to seven times higher in Germany, France and the UK than in the less-developed member states.

As the commission accepts: "When considered as a whole, regional differences remain comparable to the situation in the early 1970s. This, in spite of a slight improvement due to a more favourable economic climate, more effective harnessing of national and community efforts and a marked increase in assistance from the structural funds."

After a doubling of the structural funds in real terms between 1987 and 1993, the commission admits that, in some respects, the regional disparities have actually widened and the volumes of investment required to make up for deficiencies in basic infrastructure are enormous.

The challenge will be all the greater given that the less-favoured regions will also be faced with increasingly stiff EC competition. The task will be compounded by new pressures from central and eastern Europe.

The "economic convergence" objectives set by the Maastricht treaty in the interests of economic and monetary union will be particularly hard to achieve in the poorer regions. A widening of regional differences in a "two-tier" Europe would undoubtedly be harmful to the community as a whole.

The Commission's response to the challenge is outlined in a series of proposals now under discussion. These include another huge rise in resources for the structural funds, which will also be simplified.

In those regions lagging in development – such as Greece, Ireland and Portugal – funds would rise by two-thirds while those for other regions would increase by half. There will also, post-Maastricht, be a new fund to help poorer member states with transport infrastructure and environmental projects.

Beyond the increase in funding, the Commission is now actively pursuing or considering a number of initiatives intended to help the process of balanced economic development.

With the decreasing significance of the community's internal frontiers, new economic opportunities are opening up for the border areas which have long been isolated from the main centres of economic activity. The Commission has, accordingly, set up Interreg, a community aid programme intended to help weld together local economies which have traditionally faced each other across national boundaries and developed differently.

The Commission is also concerned to help fill in some of the "missing links" in EC infrastructure which underline regional differences in wealth and which will frustrate the community's economic expansion. Transport, telecommunicationsand energy supply networks are interrupted by pockets of non-investment which badly need to be filled with the help of EC funds.

Some of the community's most acute problems associated with lack of economic opportunity, low incomes and poor quality of life are concentrated in some of Europe's biggest cities. At present, there is no community policy specifically relating to the problems of urban areas and concern over the growth in segregation of rich and poor in many cities means that urban poverty and deprivation could soon figure on the EC's busy agenda.

UNITED KINGDOM

Question mark over popularity

THE UK has consistently been attracting more overseas corporate investors than any other country in the European Community. In world terms, only the United States attracts more inward investment.

The question is whether it can maintain such an impressive achievement.

However hollow the British government's claims of an "economic miracle" might sound in the wake of the recent turmoil, large numbers of foreign companies – from within and without the EC – have increasingly chosen the UK as their first choice when deciding to open up overseas.

The reasons for Britain's popularity are diverse but many investors cite lack of government interference, an open, free-market economy, low tax rates, recent productivity improvements and a broad range of available skills.

The alternative, less complimentary, view is that Britain is a relatively cheap labour base from which business can mount its assault on the more prosperous EC markets, free of the old trade union "shackles" and many of the obligations which bind employers in other countries.

Not that all employers are anxious to avoid establishing relationships with trade unions. While it may be too early to assess the impact of Japanese companies on UK industrial relations, many seem quite prepared to strike recognition agreements with unions as British employers cast them out.

The Trades Union Congress is even studying Japanese labour relations in the hope of finding common ground and establishing a beneficial, working partnership.

Whatever the motivating factors for overseas companies, the UK's success in wooing inward investment has been impressive. In the 12 months to the end of March 1992, overseas companies gave the go-ahead for 332 projects – creating or safeguarding 50,000 jobs.

Big projects included a decision by Sony, the Japanese electronics group, to invest £144m in Wales and Kimberly Clark, the US consumer products company, to spend £100m in south Humberside.

The annual inward investment total represents a minor reduction from the previous year, which is thought to reflect a general weakening in the European economies and the existing presence of many of the largest international companies.

About half the proposed new investment is by foreign companies already established in the UK. About 37 per cent of all US direct investment and 39 per cent of Japanese direct investment is targeted on the UK. Other big investors in the British economy are Germany, France, the Netherlands and Sweden.

The overall figures suggest that, with the impending arrival of the single market, the UK could be accounting for as much as one-third of all incoming EC investment.

According to the Invest in Britain Bureau (IBB), the UK's leading agency for attracting foreign investment and part of the Department of Trade and Industry, there are wider benefits to the trend.

Inward investors have, over the past three years, bought on average more than half of all their capital equipment within the UK. Many companies have moved quickly to increase local sourcing of components and supplies.

Much inward investment is also converted into export sales, with companies such as Nissan sending 90 per cent of its Sunderland output overseas, some of it back to Japan. As a further bonus, many overseas companies operating from Britain are spending increasing volumes of funds on research and development and on training.

The IBB is stepping up its promotional activities worldwide, given the less encouraging economic climate now encircling the globe.

It will be concentrating in particular on the Far East, in markets such as Malaysia, Indonesia, Singapore and Hong Kong.

It might find the going more difficult than it has been in the recent past. Even before the most recent events which may have severely damaged Britain's international standing, there were already signs that big inward investors like the Japanese were not entirely happy with their UK experiences.

A report commissioned at the start of 1992 by the Department of Employment found that the UK could lose its dominant share of European inward investment from the Japanese as they begin to produce more sophisticated products away from their domestic base.

It showed that personnel managers in Japanese companies were often highly critical of UK skill levels and the poor quality of job candidates. According to the report, literacy, numeracy and technical skills were considered to be in short supply.

Such potential weaknesses may, however, pale into insignificance against the potential fall-out from recent events and the UK's effective abandonment of the exchange rate mechanism.

The subsequent fall in the value of sterling may provide a useful boost to any UK-based exporting operation but Mr Michael Heseltine, the trade and industry secretary, warned recently that there could be an alternative fall-out.

He asked: "If it was perceived that we were going to be part of a slow stream Europe, do you think all those Japanese companies would continue to invest here on the scale that they are?".

Michael Cassell

IRELAND

Geographically handicapped

LOCATED on the north-west edge of Europe, the island of Ireland suffers a geographic disadvantage not shared by most other EC regions. To move products to the main population centres of Europe requires one, and often two, sea crossings. Bad weather can disrupt sailing schedules of the ferry services, and for companies working on "just-in-time" inventory control, this can signify unexpected and possibly unacceptable delays in delivery times.

Nonetheless, this has not prevented more than 1,000 foreign companies establishing manufacturing bases to service the EC market in the Irish Republic and scores more in Northern Ireland over the past 20 years. Leading industrial names in diverse manufacturing sectors such as Coca-Cola, Apple Computers, Motorola, Intel Corporation, Fruit-of-the-Loom, and Microsoft, have all chosen to establish continental-scale production facilities in Ireland.

The shopping list of grants and incentives on offer are those that can be expected in most regions throughout Europe seeking to attract mobile inward investment. Capital grants, training, R&D and marketing grants, advance factory facilities, and tax incentives are available in both parts of the island, although these vary considerably from project to project. A standard corporation tax rate of 10 per cent for manufacturing until the year 2010, is an attraction for many companies to the Republic, as is the government's commitment to a stable exchange rate policy and the country's earliest possible inclusion in a single currency area within the EC.

Improvements in telecommunications on both sides of the border have facilitated the development of service industries especially in "back-office" data processing in the public and private sectors. Northern Ireland now claims to have one of the most advanced fibre-optic telecommunications networks anywhere in Europe, with all trunk routes converted to the new technology. Practically any location in the province can have special fibre-optic cable laid to the office or factory door at reasonable cost, signifying that all present and planned technologies, including High Definition TV (HDTV), Integrated Services Data Networks (ISDN) and ultra-high speed data communications will be available through the network.

Similar developments are taking place in the Republic, although the fibre-optic network is not yet widespread.

On both sides of the border, schools and universities give a high priority to training in information technology, resulting in well-trained workforces with high levels of computer literacy. High-technology and high value-added industries such as electronics and software development have thus been attracted to Ireland, as have the "back-office" service industries looking for lower-cost locations and lower staff turnovers.

Many employers have found that staff loyalty is much greater in Ireland than in large urban centres such as London or New York, and that emigration in search of higher salaries is often not the preferred option for most employees.

Indeed, the quality of life is widely considered to be an important location factor for many companies conscious of staff morale. The clean environment and easy

The shopping list of grants and incentives on offer are those that can be expected in Europe

access to the countryside and coastline, offers recreational opportunities that are not easily matched in other parts of Europe.

The transport infrastructure still shows deficiencies in the Republic in spite of large infusions of cash from Brussels over the past decade. Transport planning has the appearance of being piecemeal and overly influenced by powerful lobby groups at local and national level, leading to the construction of little-used dual carriageways in locations such as Shannon on the west coast, while main trunk routes still wind their way through the high streets of market towns just a few miles outside the capital.

A motorway ring route around Dublin is unlikely to be completed before the end of the decade, while planners still appear unable to decide whether to go ahead with building a light-rail transport system for the capital, in spite of predictions of an exponential worsening of traffic congestion in Dublin in the immediate years ahead.

Northern Ireland, in contrast, has a well-developed road and rail network, and port facilities which are envied in the Republic to the extent that many road hauliers in the south prefer to use Belfast and Larne rather than Dublin, as their sea route to the UK mainland.

Northern Ireland, however, continues to suffer from its "image problem", as a result of the political violence which this year claimed its 3,000th victim since 1969. Although only very few people and firms are directly affected by the violence, the Industrial Development Board (IDB) recognises it is an uphill task to convince foreign companies to risk their employees or investments in the province.

Industrial policy is undergoing a thorough reappraisal on both sides of the border. Economic efficiency is being increasingly stressed in the use of grant-aid for industrial developments as opposed to simple job-creation criteria.

The IDB in Northern Ireland spends some £80-£100m a year in financial assistance to industry, but this year "the rise in unemployment in July alone exceeded the combined annual job promotions of the IDB and the Ledu (a small-enterprise promotion body) in 1991-92", according to the autumn economic review of the Northern Ireland Economic Council (Niec). The Niec says that the 46 per cent fall in job promotions over the past year, is largely due to the IDB's new efficiency criteria but notes that the "implementation of the new strategy was causing a significant degree of confusion both in local industry and within the development agencies themselves as to how the 'backing winners' approach was being implemented".

In the Republic, where I£130m is spent per year in industrial promotion, the government announced last month that in future it is to give greater emphasis to the promotion of Irish indigenous industry. This follows criticisms made in an industrial policy review published earlier this year, that Ireland has become over-dependent on overseas-owned industrial enterprises in developing its industrial base. "The balance needs to be redressed to achieve greater output and employment growth in the indigenous sector. Existing policies and promotional arrangements have not succeeded in doing this," said Mr Des O'Malley, the industry and commerce minister.

This does not mean that new inward investment will not still be welcomed in Ireland, but it will have to compete more closely with Irish industry for grants and may be subject to tighter performance targets.

Tim Coone

Profile: BOSCH

It was love at first sight

THREE years ago this week the first contractors moved on to the £100m site outside Cardiff chosen by Bosch as its UK home for production of a new generation of lightweight, compact alternators for the motor industry.

Fifteen months later, just after New Year's day 1991, Bosch, the German power-tools-to-hydraulics and car parts company that is a world leader as a motor supplier, pressed the buttons that saw the first alternators come off the production line.

Gerhard Turner, Bosch's commercial director at the plant, and one of the few Germans with the company in Wales, says that when the project team first saw the area it was "love at first sight".

Subsequently, production has accelerated smoothly, targets have been met and the millionth alternator came off the line just eight months after the factory was officially opened by Mr David Hunt, the secretary of state for Wales.

Despite the recession and the collapse of sales of cars and lorries across Europe, Bosch is on target to produce the two-millionth piece of this specialist equipment before the end of this year and the plant now employs 670 people.

The investment, says Mr Turner, has been money very well spent. By 1995 it expects to be employing 1,200.

Bosch chose Cardiff as part of a clearly thought-out strategy. "We have an imbalance between what we produce in Germany and what we produce in the rest of the world," Mr Turner says. "So the company has been looking for some years to boost its non-German production."

Given that strategy, the UK was chosen because of the strength of the domestic motor industry, boosted in the previous decade by the arrival of first Nissan in the north-east, then Honda at Swindon and Toyota in Derbyshire (together with its engine plant in north Wales).

"The renaissance of the British motor industry was very important to us," Turner says. "We had a new product, one that depended on new models for acceptance. The number of new companies in Britain producing those new models meant the British market was almost designed for us."

Britain was not the only location Bosch could have chosen. The Stuttgart-based company is wary about revealing its detailed thinking but after a working group had been set up in 1988 to look at expansion Spain was a clear possibility. So, too, was the US and the Far East, both of which have subsequently been sites for Bosch investment.

For Bosch the discovery of the commercial delights of Wales has enabled it to join a large and growing club. The principality has been indelibly linked with Japanese companies such as Sony, now one of the

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FRANCE

Mickey Mouse sets the pace

THIS spring the chairman and chief executive of one of the biggest US companies flew into Paris to cut the ceremonial ribbon on his company's biggest investment project to date.

The project, which is probably also the single largest corporate investment programme by a foreign company in France, includes suites of corporate offices for the company's European headquarters, a railway station, a telecommunications network capable of servicing two small towns, six hotels with 5,200 rooms, a golf course, several dozen shops, a mock-medieval castle, a couple of merry-go-rounds, a giant Runaway Mine Train roller-coaster, a replica of the Swiss Family Robinson's tree house and a Mad Hatter's Tea Cups waltzer ride.

The project is EuroDisneyland, the giant theme park built by Euro Disney, an associate of Disney, the US leisure group, at Marne La Vallée on the outskirts of Paris. EuroDisneyland is the product of years of painstaking negotiation between Disney and the French government, which fought fiercely, notably against stiff competition from Spain, to win this particular piece of corporate investment.

For the French government, the benefits of Euro Disney are obvious. First there are all the jobs that EuroDisneyland has created, not only its own 12,000 employees (two thirds of whom are French), but also the thousands of construction workers hired to build the park and the employees of the "satellite" companies set up in the Marne La Vallée area to service it.

There is also the advantage of EuroDisneyland's allure as a tourist attraction. Paris was one of the few European capital cities *not* to have experienced a fall in tourism this summer. One only has to glance around the Paris Metro at tourists sporting plastic Mickey Mouse ears to realise that EuroDisneyland was one of the main attractions.

Pierre Bérégovoy, the prime minister, highlighted both benefits earlier this month when he pinned the Legion d'Honneur, one of France's highest honours, on Michael Eisner, chairman of Disney. "Six months after (the park's) opening, the results for *both* parties are eloquent," he said. "The expected economic advantages are also there."

Mr Eisner replied by praising France as "a particularly hospitable land for foreign investments". But Disney has had a rocky ride in France, not least when, only a few weeks before the opening, EuroDisneyland was lambasted in the Figaro newspaper by a group of French intellectuals, one of whom called it a "cultural Chernobyl". However idiosyncratic it may seem as a piece of corporate investment, EuroDisneyland is an apt illustration of the experience of other companies that have chosen France as a corporate location.

EuroDisneyland's economic potential was so enormous that Disney was in the enviable position of being able to take its pick of European locations. It plumped for France, in spite of the damp climate of Marne La Vallée, for the same reasons so many other foreign investors have done so; because of its prime location in the heart of western Europe and its buoyant domestic market.

The TGV rail network, which the French government has extended to take in EuroDisneyland as part of its deal with Disney, is one of the fastest and most efficient in Europe. France also has an ample motorway network and good air and sea links with other countries.

France is one of Europe's largest economies, with a population of more than 56m and GDP of $958bn, according to the Organisation of Economic Co-operation and Development. It has proved much more resilient to the present economic slowdown than most of its European competitors, being on course for growth of between 1.5 per cent and 2 per cent this year.

Conversely, the cost of operating in France is high. Property is expensive, as are wages and employers' social security contributions. This is partly offset by the low rate of inflation, which has hovered around 3 per cent since the late 1980s thereby giving French companies, and foreign investors, a stable financial base from which to operate.

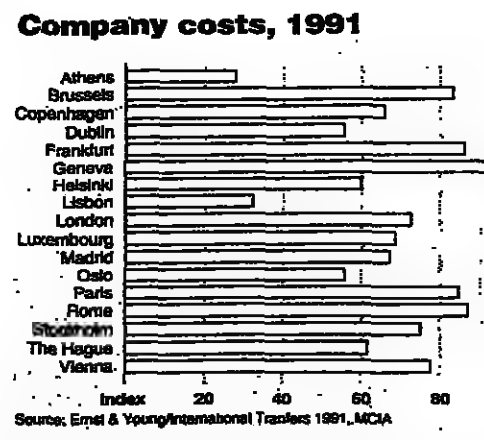
But even low inflation can not compensate for the cost and complexity of rationalising an operation in France. Once a company has set up in the country, the process of closing plants or reducing its workforce is both elaborate and expensive.

Another disadvantage is that, however welcoming the French government may be to foreign investors, France is such a bureaucratic country that local rules and regulations, particularly planning laws, can be cumbersome, as EuroDisneyland has discovered.

The company behind France's most ambitious exercise in foreign corporate location may, after all, have won the government's permission to press ahead with the second phase of its theme park development, but it is still haggling with local officials over how often and for how long it can run its night-time firework spectaculars.

Alice Rawsthorn

Company costs, 1991



Source: Ernst & Young/International Transfers 1991, MCIA

GERMANY

At the heart of the wealth-belt

WESTERN GERMAN business and industry invested more than DM140bn outside its own borders during the 1980s, while foreigners moving into Germany spent a mere DM30bn. At the start of the decade the ratio of fixed capital exports to imports was 3:1 and the position had deteriorated to 8:1 by 1990. Doomsayers among the industrial élite began warning once again that *Standort Deutschland* was in danger.

They argued that potential investors, domestic as well as foreign, were bypassing western Germany to avoid the highest wage costs in the European Community, heavy corporate and personal taxes, rigid labour practices, excessive holidays and environmental charges, and bloody-minded bureaucracy.

Possibly even more seriously, the same factors were now preventing the recovery of the collapsed east German industry.

Such disincentives to investment were said to be outweighing the established and recently enhanced advantages: a rich domestic market expanded by unification to 80m people, political stability, a highly-skilled and disciplined workforce.

Germany also provides a business base in the centre of the European Community's wealth-belt 40 per cent of European Community consumers live within a day's drive of Düsseldorf and next door to huge potential markets to the east.

However, the complaints took no account of the fact that in some respects the investment situation had actually improved. The volume of capital invested in Germany by other European Community countries more than doubled during the decade to DM46bn. Meanwhile, the proportion of new German foreign investments made inside the Community had risen to more than two-thirds.

A large part of the increasing imbalances of recent times can therefore be accounted for by strategic shifts spurred on by the impending opening of the European single market and the determination of German industry, relatively secure in its own markets, to maintain and improve its position community-wide.

Even so, historical trends tend to support the complainants' fundamental thesis that Germany's competitiveness is threatened by the factors in their "hit-list", and the government has at last started to take them seriously.

A special study commissioned by the economics ministry earlier this year complained that industry's charges were repetitive and often exaggerated. However, it added, "the warning signals should be taken seriously" because they reflected the real fears of German business. At DM40 an hour, labour costs in west German manufacturing are the highest in the world, and compare with DM23 in Britain, DM27 in France next door, and DM29 in Japan. The average working week is heading steadily downwards towards 35 hours. All industrial workers are entitled to 30 days' paid holiday.

Bonn has duly undertaken to play its part: it has promised to cap state spending to avoid over-burdening capital markets and avert the need to increase taxes and social charges. Finance ministry plans to reform corporate taxation have recently been approved by cabinet, and the first steps have been taken towards privatising uncompetitive state monopolies such as Deutsche Telekom and job centres. In addition, the government proposes to offer compensatory relief to companies hit by Germany's restrictive environmental policies.

It is now mainly up to employers and unions to find a way through the maze of rigid pay and conditions deals which are widely acknowledged as the most telling constraint on industry in the west, and which has emerged as a severe threat to the attractions of eastern Germany to investors both foreign and domestic.

Average pay levels in the former GDR are still around 50 per cent of those in the west, but skilled manufacturing rates are much higher and scheduled to match those in the west by 1994. Meanwhile, productivity in the east is less than 40 per cent of the western level and although official unemployment rates vary between 12 per cent and 14 per cent, around half the former GDR workforce has no productive job.

Such distortions were probably inevitable as the east rushed to adjust after 40 years locked in the communists' economic dream world, but the process has been eased by the equally rapid development of the GDR infrastructure. Paid for by the transfer of DM150bn a year in government funds and heavy industrial investment, large swathes of the east have already been transformed in just two years. The cramped road network has been opened up, rail links improved, telephone, gas and power lines replaced. However, many old problems remain: potential investors are still hampered by unresolved questions of ownership of land and buildings, some seized by the Nazis, the rest by their communist inheritors. The environmental burdens in old industrial centres blight investment prospects.

But as these obstacles are cleared away, and the new owners of some 7,000 Treuhand companies privatised in the past two years implement pledges to invest at least DM150bn, new difficulties have emerged.

International recession, now creeping into western Germany, has dampened industry's will and ability to invest in the five new federal states. The emergence of extremist violence has depressed it even further.

The full-scale resumption of Bonn's "Upswing East" project is likely to have to wait until international economic and domestic social order are restored.

Christopher Parkes

Love at first sight

Continued from previous page

country's largest manufacturing employers. Panasonic, Brother and Yuasa Batteries ever since Takiron pioneered the way in 1972.

If the Japanese have basked in the spotlight other countries have also chosen Wales. Bosch is only one of 49 German companies now in the principality and there are more than 100 from the US.

German companies represent 15 per cent of the number of overseas companies in Wales, with names such as Ina Bearing, Alfred Teves and Rehau in the manufacturing field recently joined by financial-services group Das.

These companies now employ more than 3,000 people and with Ina having just completed a £15m expansion programme at Llanelli and Teves having undertaken a £14.3m investment at Ebbw Vale they clearly see the future as good.

Having decided its strategy, Bosch chose Wales rather than another site in the UK because of its infrastructure, especially its road links with the rest of the country, and the availability of good labour.

The plant sits within sight of the M4 motorway half a dozen miles west of Cardiff, an area where industrial relations have always been good.

Wales was the first part of the UK to accept single-union plant deals and Bosch quickly settled on a deal with the then electricians, now part of the engineers.

Within Wales the response was also encouraging. The then secretary of state, Mr Peter Walker, actively massaged relations at the personal level with top management in Stuttgart and Mr Turner concedes "there was great co-operation not only from the Welsh Office but also from the Welsh Development Agency and the local authorities.

"What we found was that the authorities had all the necessary permissions on matters such as planning that we wanted. So we were able to get from plan to production in the shortest possible time."

This infrastructure of aid had been honed by co-operative action among all the bodies concerned with inward investment for some years. Earlier this month, for instance, Welsh secretary David Hunt completed a swing around the Far East "selling" the attractions of Wales. He was accompanied by Dr Gwyn Jones, chairman of the Welsh Development Agency, and officials.

If there is a downside for the company it is that vocational training in Wales, like so much of the rest of Britain, is not thought to be as good as in Germany.

"There is no equivalent to the way in which we undertake vocational training," Mr Turner says. "We had to set up training programmes to match our needs and were very fortunate in having the greatest co-operation of the local authorities."

Bosch is "not dissatisfied" with what has emerged. Nor is Wales. So far the company only sources a fifth of its bought-in parts from the UK. Most of the rest comes from Germany, France, Switzerland, Austria and Belgium. The devaluation of sterling against the D-Mark could give a push towards greater local sourcing.

Nissan in the motor industry and companies such Sony and Panasonic in consumer electronics have shown it is possible to find suppliers in Britain able to produce the right goods at the right quality standards. Bosch is confident it will, too, which will do a lot for the local economy.

Anthony Moreton

Spain is no longer cheap, nor is the future for large investments clear

The open-door policy continues

FOR A SMALL army of big international corporations Spain was *the* business location during the past decade. On the back of entry into the European Community midway *through the 1980s Spain hung a* "come in, look around and buy" notice on its frontiers and there was no shortage of customers.

Basing itself on 1988 figures, the economy ministry estimated *last year that 50* per cent of Spain's industrial capacity was in foreign hands. The present figure is considerably higher because foreign acquisitions of domestic business climbed steeply in the past two years.

The latest corporation to move into Spain has been the Mexican cement group Cemex which in summer bought two local companies and became the dominant domestic producer. Cemex *singled* out Spain for its investment to establish a European bridgehead.

Highlights of the buy-up of Spain include British Petroleum's outright acquisition last year of the domestic refinery and distributor Petromed, a move that bought it some 10 *per cent of Spain's* petrol retail outlets, and the 1990 acquisition by Guinness of Cruzcampo which earned the UK drinks group around 25 per cent of Spain's brewing market.

The currency turmoil that overtook Europe in September has made a strong impact

In the 1980s, General Motors opened a large manufacturing plant near Zaragoza and Volkswagen acquired the state-owned Seat group, the largest domestic car producer. *In both* cases the investments were geared to the export market and together they helped establish Spain as the third-ranked car producer in Europe.

Such developments consolidated a foreign presence *that* stretches across the board. The *domestic car sector is now for*eign-owned and foreign companies own some 75 per cent of the large components and accessories business that has been built up around it.

Foreign interests control eight of the *top 10 domestic* companies in the chemical sector, an industry which accounts for 12 per cent of Spain's exports and 8 per cent of its GDP, and as much as 18 per cent of the food producing business is controlled by non-Spaniards. Even the exclusive, and highly protectionist, banking sector has been penetrated, for more than 16 per cent of the total shareholding of the top six banks is estimated to be *in foreign hands.*

The reasons for locating and investing in Spain came under three main headings. Foreign business was alternatively attracted by cheap labour costs, by the strength of the internal market and by the strategic possibilities, vis-à-vis Europe, Latin America or North Africa, that Spain represented.

All such reasons require reassessment. Spain is no longer cheap, nor is it expanding and nor is the future for large *cross-border strategic invest*ments as clear as it once was.

Average industrial wages in Spain stood at 62 per cent of the average of Germany, France and the UK in 1985 but had risen to 74 per cent in 1990. Those *in Portugal,* by comparison, changed from 21 per cent to just 22 per cent against the same average over the period.

The buoyancy of the internal market has stopped short in its tracks. The growth of domestic *consumption which grew* at close to 6 per cent in the late 1980s was halved with the onset of the 1990s. Spain with a forecast GDP of 0.7 per cent next year is living in a pre-recessionary environment.

The currency turmoil that overtook Europe in September *has meanwhile made a strong* impact on Spain and may leave scars that will take time to heal. A devaluation, followed by the temporary introduction of exchange controls and continued pressure on the peseta, created an alarming picture for multinational finance directors.

Yet, however much the furniture may have been rearranged, Spain remains an important location for multinational business as, indeed, it could not fail to be after the massive inflow of investments in the past years.

The likelihood is that the foreigners will continue coming. Long-terms players looking at *Spain in the context of a global* recovery take into account the following features:

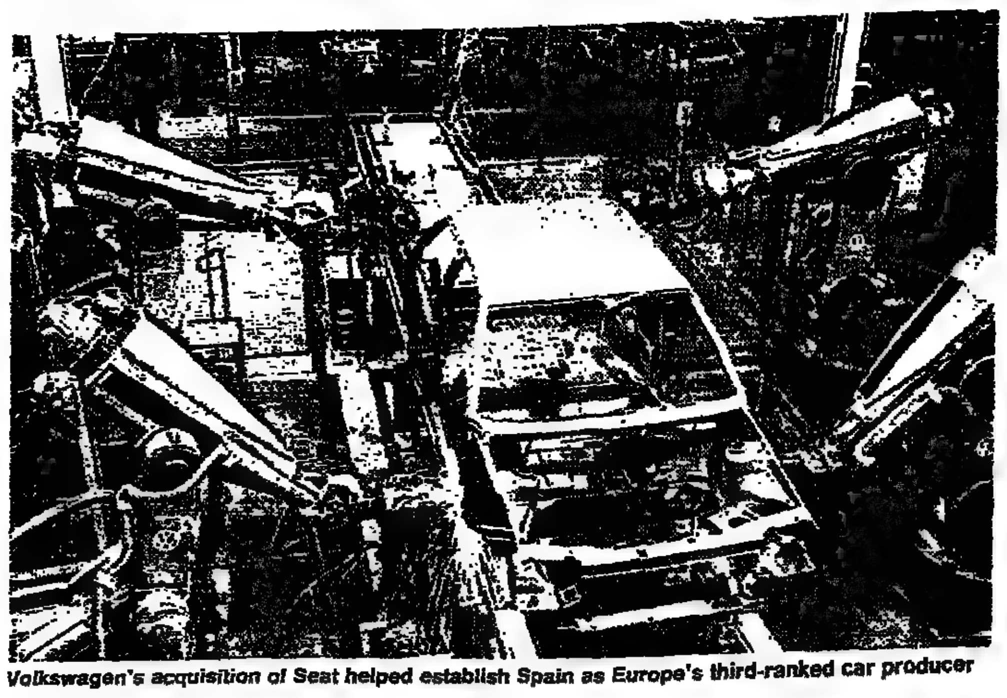
■ The domestic political stability under the leadership of prime minister Felipe González together with the determination by the government to correct spending overshoots and restore budgetary imbalances.

■ The large public investment in infrastructure, much of it linked to the Barcelona Olympic games and to Seville's Expo '92 world fair, and the existence of generous subsidies across huge swathes of Spain that are classified as underdeveloped in EC terms.

■ The onset of wage moderation, decreasing union militancy and greater flexibility in the labour market.

Foreign players who have seen the domestic market grow so strongly in the very recent past also know that whole sectors of Spanish business remain *fragmented and offer* interesting investment opportunities. Much of Spanish business, moreover, is at rock bottom prices.

Tom Burns



Volkswagen's acquisition of Seat helped establish Spain as Europe's third-ranked car producer

Events this year have exposed Italy's *threadbare fabric of maladministration*

It's been bad news for investors

CONVINCING foreigners that Italy is *the right* location for their companies has become even harder over the past six months. In a year that has probably seen as much bad publicity as any since the war, the lira's abandonment of the exchange rate mechanism in September was only one of several events that exposed a threadbare fabric of maladministration.

Revelations of widespread and large-scale corruption in public sector contracts have been making news since the spring, as businessmen, civil servants and politicians have been brought into the investigators' net. The assassinations of leading anti-Mafia magistrates in Sicily in the summer highlighted the state's weakness in tackling organised crime.

Such news can only have discouraged foreign companies evaluating potential locations for their operations to look at Italy before making their choice. Why opt for Italy when its problems seem so numerous and apparently so intractable?

Earlier this year the Institute for Southern Development (*Istituto per l'Assistenza allo Sviluppo del Mezzogiorno* – IASM) published the results of

There has been little interest in the bottom part of the Italian boot; the Calabrian toe has attracted less than 0.5 per cent of foreign investment

a study it had commissioned into international corporate attitudes to investment in the mezzogiorno. There were worrying findings for politicians and regional planners. Business sentiment is extremely cautious about southern Italy.

Crime is an important factor that discourages foreign companies from venturing south. There has been little interest in the bottom part of the Italian boot and the islands; the Calabrian toe has attracted less than 0.5 per cent of foreign investment in Italy, and Sicily only 1 per cent.

Italy's justice and home affairs ministers often speak about a state of war in much of the south, and this summer's despatch of army troops to Sicily and Sardinia underlined their concern. Large areas of Sicily are dominated by the Mafia, and its cousins the 'ndrangheta hold sway in Calabria and the Camorra in Campania. Even Apulia is now the territory of organised crime.

When foreign companies have decided to take advantage of incentives to invest in the south, they have overwhelmingly decided to stay as far north as possible in the eligible area. In this they follow the example of Italy's largest private sector company. Fiat's three main factories in the mezzogiorno are in the northern part; the Termoli engine plant, the assembly operation at Cassino and the integrated plant being built at Melfi.

Political interference is another deterrent to foreign investment in Italy, both north and south. The scandals reported this year have exposed the tangled party political web within which business must operate. Easing a relocation operation may *require contributions to party* representatives or the recruitment on to the payroll of people recommended by local politicians.

Slow payment of grants is a recurring complaint of companies in the mezzogiorno, with delays being measured in years rather than months. And this spotlights the uncertainty of rights; the gap between what legislation lays down and what actually happens. Many companies have found, however, that unofficial procedures exist for accelerating grant payments.

For companies in the south, distance from markets (Reggio Calabria is nearly 800 miles from Milan) is exacerbated by weaknesses in infrastructure. Few companies in the south have remained unscathed by bad roads, electricity blackouts, poor signposting, telecommunications difficulties, inadequate public waste disposal systems or the like. Northern businessmen also *complain about the handicap* of poor infrastructure, but it is considerably worse in the south.

Yet prospects of significant improvements seem slender in the present economic climate. The need to put public sector spending back into shape means fewer resources for infrastructure projects throughout the country, as well as further delays in receiving grants for investment in the south.

However, in addition to being affected by shortcomings in physical infrastructure, companies in Italy suffer from inefficient services. "National and local utilities, the banking system, distribution, government offices and local authorities provide services with a poor quality-cost ratio," said Stefano Micossi, head of the research department at the industrialists' confederation Confindustria.

This complaint wins support from the Bank of Italy. Addressing its annual meeting at the end of May, the governor repeated observations that he *had made on other occasions* about unsatisfactory productivity and price rises in the tertiary sector.

The choice of an Italian location for manufacturing plant poses challenges to foreign companies, not least regarding the productivity and costs of their own workforces. The IASM study on business attitudes to investment in the mezzogiorno reported that labour costs in Spain and Ireland were about 25 per cent less than in southern Italy, in spite of the large reductions in social security charges that business enjoys in the south compared to northern Italy.

But it is not only a question of payroll costs. Italy's *industrial relations system places* obstacles to part-time working, job mobility and other forms of flexibility. And Italy has not benefitted from encountering and absorbing the working practices that other more competitive industrial countries, particularly Japan have adopted. This is pronounced in the south, where foreign companies complain about the absence of an industrial culture.

Italy expresses interest in attracting foreign investment, *yet often seems closed to outsiders.* "It is a cultural matter. There are few businessmen who genuinely want more investment in Italy by foreign companies," said Mr Micossi.

David Lane

Working time regulations

	Maximum working week hours	Maximum overtime allowed
Austria	40	60 hours a year
Belgium	40	65 hours a quarter
Denmark	no legislation	no legislation
Finland	40	20 hours per two week period
France	39	130 hours a year
Germany	40	80 hours a year
Greece	40	150 hours a year
Ireland	48	240 hours a year
Italy	48	no legislation
Luxembourg	40	2 hours a day
Netherlands	48	12 hours a week
Norway	40	200 hours a year
Portugal	44	160 hours a year
Spain	40	80 hours a year
Sweden	40	200 hours a year
Switzerland	45-50	350 hours a year
UK	no legislation	no legislation

Source: Comparative study of rules governing working conditions in the member states, 1989, European Commission/ National Governments

FINANCIAL TIMES SURVEY

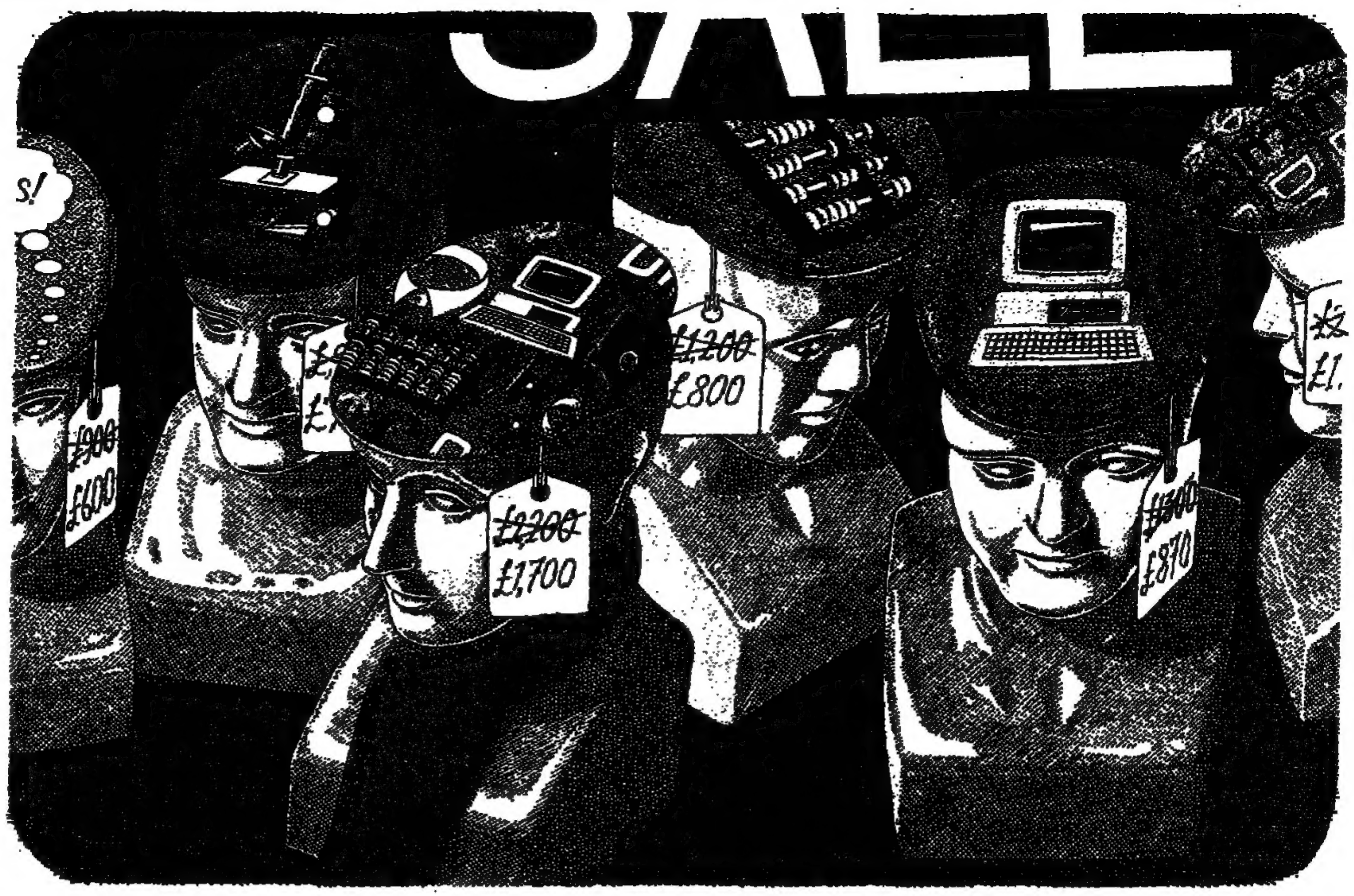
MANAGEMENT CONSULTANTS

SECTION IV

Wednesday October 21 1992

Consulting remains big business, but the recession has caused firms to rethink strategies and expand their range of services and specialisms. In the face of intensified competition, profitability has been hit, writes **Andrew Jack**

Focus has to sharpen



AFTER the boom of the 1980s and the collapse of the early 1990s, *management consultants* are beginning to change gear in order to cope with the difficult challenges which they face during the next few years.

They have witnessed and participated in powerful shifts in the nature of the services provided, the relationship of consultants with clients and savage competition with their rivals. Meanwhile, their reputation as professionals remains hazy.

"Consulting is a tough industry," says Mr John Moynihan, chief executive of PA Consulting. "It wasn't 20 years ago, but now the industry is saturated. I'm sure there will be casualties."

The tone of the quarterly survey from the Management *Consultancy Association*, the leading UK trade association, has certainly changed markedly in the past few months. In April, it heralded some signs of the start of an economic upturn after 15 months of flat business.

In July, it said that the upturn was still awaited, with some signs that consultants would be hiring more staff within six months.

By early October, it warned that its members saw "little scope for optimism", with a continued reduction in general business consultancy, offset by a slightly larger increase in the amount of information technology work.

Consulting remains big business. It continues to live on an enormous expansion that has taken place over the past decade.

A survey produced earlier this year by Alpha Publications showed that the top 30 firms alone billed $5.5bn in western Europe during 1991.

The UK market has been hit by the recession and is also highly mature. Prospects are a little more promising overseas and many consultancies have sustained their income with work from across Europe, particularly from business in the former Communist bloc.

However, while nominal growth in many regions is now static, profitability is still less certain. *Getting at the truth is* not easy.

Secrecy is nowhere more pervasive than at McKinsey & Co, which refuses to say anything about itself, but is ranked in the survey as fourth largest consultant in western Europe with more than 1,100 consultants and fee income of $336m last year.

Most other firms echo that philosophy almost as strongly. They are as subdued about their own financial position as they are vocal about their ability to improve that of their customers.

To this end, they are able to take advantage of their private *corporate or partnership status* in order to reveal as little as possible about profits or losses to clients and competitors.

One of the few large players which does present more detailed internal information – by virtue of its public listing in London – is P-E International, the management and computer consultancy.

Last month the company reported half-year pre-tax profits down 72 per cent to £514,000 on a turnover of £35.5m and halved its interim dividend to 1p.

Redundancies have also been on the rise. Last November, Price Waterhouse dispensed *with 150 of its 1,000 staff in the* management consultancy services division as part of a wider restructuring which raised questions over its future.

Other firms have been shedding staff in small, less noticeable groups.

In an effort to survive, firms have extended enormously the range of services and specialist areas on offer. "Change management", "empowerment", "quality" and "the environment" are among the words tripping off management consultancy tongues at present, in keeping with the latest management theories.

Firms have also started to talk more about the growing degree of focus needed to pinpoint target industries or specialist areas which they believe are profitable or growing rapidly, such as the public sector and health care.

One of the more intriguing developments has been the recent emergence of "out-sourcing". Proponents – such as Andersen Consulting which has recently won lucrative contracts with BP and the Stock Exchange – flag it as a radical way to improve the efficiency of what were previously regarded as core headquarters functions.

Critics label it a repackaging of facilities management which they consider to be low-grade, low-margin work.

Whatever the truth, out-sourcing is providing a rapid growth area and one which a number of competitors have tried to emulate.

However, it also raises profound questions over the management of consultancy firms, shifting them from their traditional role as external professionals into a wider position as providers of permanent services.

All the firms are questioning their existing recruitment policies as they look for consultants *with a broader range of* skills and a greater ability to work with more discriminating clients.

At the same time, there has been an explosion in the number and range of consultants in the marketplace. The giants of consulting continue to spawn spin-off boutiques with niche specialisms.

Even more significantly, in the past two years prolonged recession has turfed many senior executives unexpectedly out of their jobs and large numbers of them have turned to consultancy in order to make ends meet.

These two types of consultant pose severe problems for their larger brethren. Their *cost base is lower and they are* often willing to work for a much lower level of profitability. Their specialist skills may well also give them the edge on particular contracts.

On the other hand, their expertise is limited, they cannot compete internationally and the range of skills they offer is far more restricted than that which is available in the larger firms. The quality of service they deliver may also be open to question.

That raises a final point: the reputation of consultants. A survey of company directors in Scotland earlier this year suggested that management consultants were rated lowest of any profession for their contribution to business success, ability to understand the company's requirements and value for money.

Figures such as these fuel the arguments of Mr Adrian Williams, president of the Institute of Management Consultants which has nearly 4,000 out of an estimated 18,000 consultants in the UK as members.

Consultants have to pass an interview to gain entrance and members can be disciplined and dismissed. But while the Institute received 10 complaints last year about the conduct of consultants, eight of these could not be pursued because they referred to individuals who were not members of the institute.

Some executives in the larger firms shake their heads sadly at the mention of greater *involvement in professional* associations. They see them as a threat to their own competitive position, a waste of time or simply something for the smaller consultants with whom they have little in common.

But Mr Williams is persistent. He is working on a code of ethics and training modules which might be adopted by the firms.

"A body which is hard to get into and you can be chucked out of distinguishes a profession from merely an occupation," he says.

MANAGEMENT CONSULTANTS 2

Growth is slow in the industry's richest sector

Life still tough for the IT consultant

INFORMATION technology (IT) consultants are "finding life a little difficult," says Mr Patrick Whale, president of the Computing Services Association and senior IT consultancy partner at KPMG. Rapid growth in IT consultancy has slowed and the fight for market share is fierce.

A survey conducted by industry magazine Management Consultancy shows the average growth projection by IT consultancies for this year is 6.5 per cent – a big drop from the halcyon days of the 1980s when it was often above 30 per cent – and even this figure may prove over optimistic. With the exception of the continuing success story of Andersen Consulting, the market leader, business is tough.

IT is management consultancy's richest sector, but establishing the size of the market is not easy. Boundaries are blurred between IT consultancy and other areas of management consultancy, and between consultancy and other computer services. And as well as big consultancies, myriad small operators need to be tracked.

Calculations based on figures supplied by the Computing Services Association would give a market size at the end of last year of around £400m, down from £460m in 1990. However, corresponding estimates based on figures from the Management Consultancies Association give an increase from £485m in 1990 to £520m last year.

More significant than market size is the slowing of business in certain areas

More significant than market size is the slackening off of business in certain areas. According to Mr Whale, the IT strategy consulting market is far from booming. "There aren't the number of large contracts in that arena that there were."

The picture is not much better in generalist IT consulting. Work is still being undertaken, but the number of big turnkey consultancy projects has declined, says Mr Whale, although he says work from the public sector is bolstering the marketplace. Health is one public sector area he sees as offering promise, although competition in this sector is fierce, he adds.


Patrick Whale: 'strategy consulting is far from booming'

Large scale job losses in IT consultancy have slowed. Staff are still trickling away, but are also being recruited in dribbles. Andersen Consulting is the notable exception. This year it is taking on 250 graduates and 50 to 100 professional staff, most of them in IT or IT-related consultancy.

"Last year was a disaster," says Mr Christopher Sale of recruiters Michael Page Technology. "This year things are distinctly more buoyant. I'd put more emphasis on recruiting in the current market than I would on losing people."

Systems and software houses continue to restructure their consultancy activities. In spite of the fact that Logica abandoned a separate consultancy arm over two years ago – although consultancy still represents 20 per cent of turnover – this year Hoskyns has redeployed its consultants into a new division and Sema Group has also launched an independent consultancy.

Meanwhile SD-Scicon, now known as EDS-Scicon, has been radically restructured by its acquirer, Electronic Data Systems.

"I don't think that the systems houses in these times have been able to sustain the image that they held of also being consultants," says KPMG's Mr Whale. He says the systems houses have been unable to match the development of the big accounting firms' IT consultancy divisions as "one stop shops" offering a complete solution from strategy to design and implementation with subsequent support.

Corporates continue setting up their IT departments as consultancies selling expertise to other businesses. Recent entrants include Lucas Industries, the Post Office and British Rail.

At present these operators do not constitute a big presence in the market. More of a force for established IT consultancies to reckon with are the hardware manufacturers. Among others, IBM, Digital, Bull and Unisys are beefing up their efforts in the services sector.

IBM has substantial numbers of consultants in action. In the past two years the number of staff deployed in its services division has grown from around 400 to 2,000. Mr John Clyde, IBM's manager for IT strategy consulting, estimates that, on a broad definition, about two-thirds of these are IT consultants.

He bullishly says competitors "have reason to be nervous as we're growing faster than the industry. That means we're gaining share and that has to come from somewhere". According to Mr Clyde, revenue growth is "dramatic", although he declines to give actual figures.

The standard criticism from the rest of the industry of hardware manufacturers' consultants is lack of independence – they recommend their own hardware first.

Many IT consultants have left the larger firms and set up small niche consultancies

Mr Clyde's response is three-fold. He estimates that around 20 per cent of fee income comes from projects that do not involve IBM products. The fact that the remaining bulk of his clients use IBM hardware he sees as hardly surprising, since most large corporates buy some of IBM's products.

Finally, he says important consultancy areas, such as strategy, are independent of products. "It's only really at the bottom level, which is help with implementation, that you're down to the specifics of products," he explains.

Many IT consultants have left the larger firms and set up small niche consultancies. What is life like for the smaller IT consultancy in the midst of recession?

Mr Bob Cossey is a consultant at Parkwell Management Consultants, whose particular niche is the selection and implementation of accounting systems. Parkwell has six staff, down from nine at the beginning of the recession, and Mr Cossey says that business is better than last year.

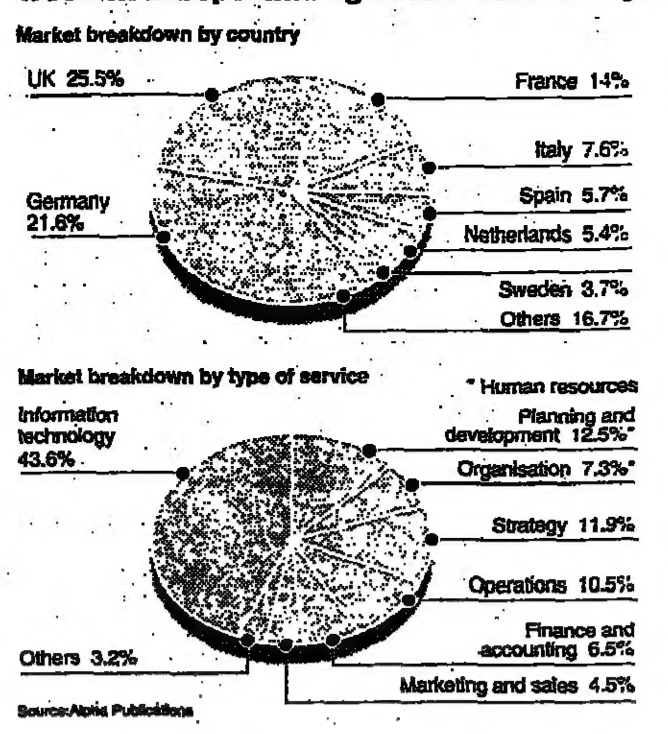
In Mr Cossey's view, Parkwell can offer the same service as a big consultancy at a lower cost, since it doesn't carry the same level of overheads.

Mr Cossey has noticed significant fall-out: "Surprisingly, a lot of the small consultancies set up by staff from the big consultancies have gone out of business. It's difficult to see why, because in theory they can control their costs much quicker."

This is leading to atomisation of consultancies. "They don't actually go out of business because the individuals start as independent consultants," he says.

Peter Carty
Accountancy Magazines

Western Europe: management consultancy



Source: Alpha Publications

Top 20 firms supplying management consultancy services 1991

	Firm	European Revenue $m	Professionals/ Consultants No.
1	Andersen Consulting	908	7,750
2	KPMG	420	2,800
3	Coopers & Lybrand	400	2,800
4	McKinsey & Co	336	1,110
5	PA Consulting Group	267	1,450
6	Price Waterhouse	260	2,297
7	Cap Gemini Sogeti	232	1,740
8	Ernst & Young	227	1,300
9	Alexander Proudfoot	175	600
10	DRT	150	1,070
11	Gemini Consulting	150	450
12	Bossard Consultants	126	800
13	Boston Consulting Group	120	400
14	P-E International	119	465
15	IBM	117	1,000
16	Digital Equipment	115	1,000
17	Roland Berger	113	375
18	Towers Perrin	105	800
19	Hay Group	96	411
20	CMG	93	650

Source: Alpha Publications

Forecasts by type of service: Western Europe

	1992		1997		Average growth % pa
	$m	%	$m	%	% pa 1991-1997
Information technology	3,608	43.6	9,278	45.7	17
Human resources					
– planning & development	1,036	12.5	2,740	13.5	18
– organisation	606	7.3	1,644	8.1	18
Strategy	984	11.9	1,924	9.5	12
Operations	867	10.5	2,239	11	17
Finance & accounting	539	6.5	812	4	7
Marketing & sales	370	4.5	698	3.4	11
Other services	267	3.2	970	4.8	24
Total	8,277	100	20,305	100	16

Source: Alpha Publications

Despite its successes, not everyone is convinced by TQM theory

Faith in the religion of quality is starting to waver

Management theories come and go. But since the early 1980s one of the most enduring in the industrialised west has been the search for Total Quality.

In fact the origins of the Total Quality Management (TQM) movement date back almost four decades. The founding fathers of modern TQM theory include the three Americans, W Edwards Deming, Joseph Juran and Armand Feigenbaum, who in the early 1950s introduced Japanese managers to the principles of quality control and are thus widely credited with helping to create Japan's post-war industrial powerhouse.

But is was not until the early 1980s that pioneer companies in the west, such as Xerox, which had watched the Japanese steal a large chunk of a copier market it had invented, began to wake up to quality theory.

Xerox responded first by undertaking a series of "benchmarking" studies to determine the scope and specifics of the competitive challenge. As a result Xerox in the US and Rank Xerox in Europe launched a comprehensive quality strategy, dubbed "Leadership Through Quality" in 1983.

Since then Xerox has managed to reverse the decline in its market share and, in the process, has won numerous quality prizes including the coveted Baldrige award in the US in 1989. Like many of its Japanese counterparts, Xerox sees its quality programme as just "a way of doing business", but one that is entirely focused on providing customer satisfaction.

Other companies such as Motorola, the US electronics group, claim that they have saved millions by adopting quality programmes in their manufacturing operations.

Ms Sharon Studer, a partner at KPMG, the international management consultancy, describes quality as "the ticket to play" for western companies. The Japanese, she argues, established quality as an entry point to whole industries. "If one is going to be a world competitor you benchmark against the best, and that is often the Japanese."

Among the basic tenets of all quality programmes are some fairly straight-forward concepts. These include recognising that it is important to get things right first time, and that almost any thing or process can be measured or benchmarked.

The driving force behind any process must be to give the customer what the customer wants

Perhaps most important of all is the realisation that the driving force behind any process, whether manufacturing or service, must be to provide the customer with what the customer wants.

Quality, and TQM in particular, has become a big business in its own right. Around three-quarters of all US and British companies claim to have some form of quality programme and converts to the total quality movement sometimes treat it almost like a religion.

Increasingly, large companies and other organisations which have applied for and achieved certification under one of the national or international quality standards expect their suppliers and contractors to have also achieved quality certification.


Joseph Juran: one of the founding fathers of Total Quality Management


Robert Galvin, Motorola's chairman: a supporter of the Baldrige award

Meanwhile hundreds of books have been written on the subject of quality, and companies often pay thousands of pounds to send their executives to seminars where management consultants and corporate disciples sing TQM's praises.

Some specialist management consultancies, such as Philip Crosby Associates in Florida, have even built up a worldwide business dealing specifically with quality management issues. Since it was formed in 1979 PCA, which has offices in 23 locations in 14 countries, says it has trained more than 1m people in various facets of quality management.

But not everyone is convinced. Although some marked successes are claimed for TQM there is evidence that the quality programmes of many companies are failing. Among the staunchest critics are some of the management firms which have helped fuel the TQM bandwagon.

Some research in the past year has cast doubt on TQM as a panacea for all competitive ills. A survey by Arthur D Little of 500 US manufacturing and service companies, found that only a third felt their TQM programmes were having a "significant impact" on their competitiveness.

A similar study undertaken by AT Kearney of over 100 British companies suggested that 80 per cent of quality programmes fail to produce any tangible benefit. However, the study also suggested that most quality programmes failed because the management had not set realistic goals or defined measurable benefits at the outset.

The AT Kearney study suggested that successful TQM programmes typically have a greater focus on the customer and aim to give employees more authority to make decisions. It suggested that companies which have successfully introduced TQM are twice as likely to have made an objective study of their competitors through "benchmarking". It also revealed that, where TQM has failed to generate tangible results, the quality manager, rather than a director, was often responsible for the programme.

Companies which practise TQM successfully appear to share four common characteristics: An emphasis on tangible results; insistence on performance measurement; an integrated programme; and a clear commitment from top management. In addition they ensure that they "retain ownership of the programme" instead of relying on outside consultants.

But often it seems the real problem for western companies is that the TQM programme becomes a bureaucratic end in itself, rather than a means to the end, namely serving the customer. And executives, and shareholders, often expect quick results rather than acknowledging that quality programmes take time to develop – and that they never really finish.

TQM can often become a bureaucratic end in itself, rather than a means to the end

One often-quoted example of a quality programme that went wrong is that of Florida Power Light (FPL). During the 1980s the utility built up a huge quality programme in an effort to become the first non-Japanese winner of the Deming prize for quality. In 1989 it won the prize but the improvement in customer service was insignificant compared to the effort and cost involved in its quality programme. Since then a new management team has downscaled the quality programme and made it much less rigid.

Even the four-year-old Baldrige award has managed to generate controversy. Some supporters such as Mr Robert Galvin, Motorola's chairman have called it "the most important catalyst for transforming American business" methods. But its critics have suggested that it is seriously flawed on a number of counts, complaining variously about its methodology, focus and philosophy.

The debate which raged in the US earlier this year, mostly on the pages of the Harvard Business Review, may even find an echo in Europe, where the Dutch-based European Foundation for Quality Management handed out its first award for TQM earlier this month.

The guiding principle behind the EFQM award is that it is not sufficient for western European companies to survive, they must prosper, and in order to prosper they must be competitive. They must be seen as offering "quality" goods and services that customers find attractive and good value for money.

Its promoters argue that, "companies attaining total quality excellence will have that all-important competitive advantage and will play a vital role in Europe's future and success." Like their US counterparts they believe that TQM holds the key to competing with the Japanese and that "through TQM western Europe will become a leading force in the world market."

Paul Taylor

The Illinois-based training centre: the backbone to Andersen's efforts in the consultancy field

PROFILE: ANDERSEN CONSULTING

Forward thinking

IN TODAY'S bleak business climate, it is not just the big corporation that needs to ensure it is thinking well ahead but also the management consultancies that advise them.

Which is why consultants at Andersen Consulting, the Chicago-based firm, with a fee income of more than $2bn, will shortly be mulling over proposals due to emerge in November from a one year study in which 250 of the firm's 800 partners have been directly involved.

Set in train by Mr George Shaheen, the 48-year-old managing partner who took over at Andersen shortly after the consultancy's emergence as a separate business from accountants Arthur Andersen, it will look at the industrial, marketplace and geopolitical changes likely to take place in the years up to 2000. Its conclusions will not, however, be set in stone: under Mr Shaheen the firm is committed to a new look, every three years, at the world it inhabits.

Since it first moved into consultancy in 1954 when it was commissioned to help General Electric of the US implement the first commercial computer application, Andersen has grown into a strong force in technical consultancy in the US and a number of other world markets, including the UK, France, Spain and Italy.

With growth accelerating in the 1980s, a decision to split from the audit side was taken in 1988. "We realised information technology had become 'mission critical' in a number of sectors from airlines to utilities and it seemed illogical that a business with its core in accountancy should be significant in this field," Mr Shaheen says. "We believed we had to define where the business was going and claim ownership of the concepts we were pioneering."

In the period since the division – both parts of the company continue to be ultimately owned by a private Swiss holding company Arthur Andersen and Company SC – consulting revenues have grown rapidly, as big companies, many of them multinationals, have sought help in using IT to pull together international operations and to improve their response to customer demand and market conditions.

In Europe, Andersen expertise in putting together the right systems and software was seen at the 1992 Winter Olympics, while in Britain the company has been working on a large scheme for the Department of Social Security in which IT is being used to improve service delivery by unifying the often bewildering range of details surrounding each client and their benefit entitlements.

The backbone around which Andersen's efforts in the consultancy field has been built is its impressive training programme on which it spends around $160m a year or roughly $7,200 per consultant. New recruits to consulting are for the most part taken on straight from universities around the world and brought over early in their careers to probably the biggest private educational campus in the world at St Charles, 25 miles outside Chicago.

There they spend time learning the company's strictly laid-down methodology for handling computer projects. At regular intervals during their careers they will return to the classrooms at the 150 acre St Charles site, teaching new classes themselves or undergoing further training.

The result is that the firm can apply a consistent approach and methodology to problem-solving around the world and can easily assemble English-speaking, multi-disciplinary specialists from a variety of countries and backgrounds to tackle projects. "You cannot fight a war with different systems. Clients can expect to receive the same level of service wherever they get it," Mr Shaheen says.

The danger, as some critics have been quick to point out, is that the firm produces clones whose ability to think creatively will be lost, and that by using raw recruits it deprives itself of the wider experience more seasoned outsiders would bring.

Andersen's 20 per cent worldwide and 37 per cent European growth in 1991, at a time when some other consultancies have been beginning to experience recessionary downturn, suggests clients are not taking this view, but the review now in place is intended to guard against the kind of problems which have affected other big groups holding a strong position in their sectors, such as IBM and General Motors.

Among the challenges which Andersen has already had to face have been continued rapid technological developments, including the shift from mainframe computing systems, in which it had built up years of expertise, to client-server systems, in which high powered desktop systems are networked with each other.

This shift, which has set the new computer paradigm for the 1990s, has meant that Andersen itself has had to mount a big exercise to retrain its own personnel in a completely new set of skills, centred on networking. Without such a re-education exercise, Andersen was in danger of being left behind, with more than two thirds of *Fortune 1000* companies either planning or implementing a move to client-server computing.

Externally, the worldwide business environment in which the consultancy and its clients operates is in the midst, too, of not only economic but also structural change with the great corporations that have dominated world business being forced to operate in much more entrepreneurial ways, and increasingly in need of advice on how to achieve new patterns of organisation. These developments and recent dramatic world geopolitical changes have provided another big test for consultants' skills.

At the same time, competition has intensified as new competitors have emerged. In technical consulting Andersen comes up against computer hardware and software companies such as IBM and EDS, and a host of other smaller companies, with aggressive new entrants such as the French company CAP Gemini Sogeti also building market share through acquisitions.

In strategy consulting, where it is seeking to grow further, Andersen meets established names such as McKinsey, Booz Allen, and Bain. Competition also comes from other members of the Big Six accountancy firms, all of which are trying to build up their position in IT consulting.

Although the results of the consultancy's internal review are not yet known, the direction in which Andersen has already travelled since its early days is from systems building to a much broader range of activities, involving systems integration, systems management, strategic consulting and change management across the six broad sectors in which it operates.

The next moves are likely to see greater emphasis on what it can offer in business integration and re-engineering, a process whereby businesses are helped to look at their strategies, their organisational structure and their technology in the round, and at how to make the best use of IT in achieving any restructuring required.

It is a concept which is difficult to describe fully to clients, which is why Andersen has set up in the US a number of centres which business executives can visit to see just how the integration of technology and innovative business thinking can reshape an industry.

In Chicago itself, Andersen has created a model specialist retailer and supermarket of the future. Other centres elsewhere demonstrate new ways of thinking about logistics and process manufacturing, and about the delivery of medical care, all involving greatly increased use of IT.

The aim is to impress clients that Andersen is more than just an IT consultancy that has bolted on a strategic capability, but a partner that can bring together and implement all the elements that can help businesses succeed. As Mr Shaheen says: "We want to be the firm that makes technology succeed in the marketplace."

Rhys David

THE STRATEGY BOUTIQUES

Under pressure

THE DOWNTURN has put pressure on all management consultancies, but perhaps more vulnerable than most are the small "strategy boutiques". Recession has found them competing with both the consulting arms of the international accounting firms and with a plethora of new one-man consultancies, and faced with clients determined to get more for their money.

Leaving aside the fashionable jargon with which consultants adorn their profession and confound their clients, strategy consultants basically help formulate strategies at the corporate or business unit level. This may be through an analysis of growth opportunities, potential acquisitions, markets, organisational structure or product competitiveness.

Over the past decade the move has been away from "pure" strategy analysis to training and hands-on involvement in the implementation of the strategies.

The initial impetus for the strategic boutiques came from a perceived failure by the multinational accountancy companies to provide specialised services. Although most agree that the boutiques – because of competitive pricing, niche-marketing and personal service – will ride the storm, the empire has now struck back.

"The boutiques are now under pressure from the multinationals, who have substantial support networks for research, as well as the advantage of international experience and resources," says Mr Brian O'Rorke, executive director of the Management Consultants Association. "Also, the multinationals have moved from being generalists to being multi-boutiques – trying to set up under one roof a raft of specialist operations."

The downturn and management de-layering has also shaken loose many a senior executive, either through redundancy or early retirement. These have been tempted to supplement income by setting up small one-man consultancies, increasing the pressure on fees and hence margins.

Mr John Mitchell of Mitchell Phoenix who works in the high technology sector with the likes of Microsoft, is more worried about the effect of one-man-bands on the quality of consultancy offered: "It is becoming more and more difficult to attract clients because of the bad experiences they have had with consultants who charge them tens of thousands of pounds and leave them with a bound document and very little else."

This raises a more serious problem for the strategy boutiques of whether the bottom line effect of the specialised and sometimes esoteric service they offer is sufficiently clear. A critic is Mr James Irwin, chairman of Impac, an international consultancy specialising in "productivity and quality engineering", very much a hands-on consultancy which guarantees savings greater than the project fee.

He is a great believer in quantifiable analysis, and is scathing of "fuzzy" programmes where no one in the company is afterwards able to pin down the benefits to the bottom line. "A lot of consultants are selling ego stroking rather than anything that provides a lasting effect."

Not surprisingly, this is a view rejected by most consultants. Mr Mitchell is critical of strategy consultants who encourage a culture of "client dependency" by projecting themselves as gurus with patented solutions and while he would probably agree with Mr Irwin's scepticism of faddism, he insists that strategy boutiques need to go beyond the purely analytical.

"Straight line projection of the past into the future is not enough. What is needed is innovation; companies need an adherence to vision at the top and an organisational ability to translate this into action.

"What has often happened is that a major consultancy of the Price Waterhouse ilk will design a strategy costing £250,000 to £500,000 and then wash its hands of whether there is in place in the business the infrastructure to make the change. What the boutiques can and are having to do is to modify that infrastructure through an ongoing involvement with the company."

Mr James Thorne, managing director of Strat*X, a consultancy which is building a reputation for "action-oriented" training with multinationals, traces the demand for greater consultancy involvement directly to the harsher economic climate of the past few years: "On the demand side, because of the drive for tangible results, there is less and less training for training's sake taking place," he says.

"However, the processes of management de-layering and employee empowerment have been continuing, which has opened an area of huge potential for strategy consultants. If control from the top is to be reduced and to be successfully replaced by a system where responsibility and involvement bubbles from the bottom up, it is no longer just a few managers who need sophisticated training: all key employees need that exposure."

'Training, marketing and consultancy work are the first to be cut in a recession'

If employee empowerment is an ideal to which British commerce and industry pay more than lip-service, there will be a need for a massive commitment to restructuring to meet the "challenges of change", but the jury is still out on this.

Mr Jon Morgan, managing director of Executive Information Solutions admits to a missionary zeal over the short-termism of British industry: "More serious than trimmed margins is the fact that training, marketing and consultancy work are considered expendable by management and are the first to be cut in a recession."

Mr O'Rorke identifies eastern Europe, along with Information Technology as the two growth areas for consultancies: "As much as 45 per cent of MCA members' revenue comes by way of work in IT – but one needs to be circumspect: nowadays everything has an element of IT in it."

"Eastern Europe is providing a fair amount of work, with encouraging growth signs. The problem is that it is entirely dependent on funding from international agencies such as the World Bank and the European Community's Phare programme – the eastern businesses don't have the money at the moment.

"Although fee rates are not good, it is useful in the sense of establishing a beachhead for the future and, of course, it is a way of keeping consultants who might otherwise be sitting doing nothing in the UK, occupied."

William Saunderson-Meyer

THE ACCOUNTANTS

Numbers crunch

THE DIGITS "2" and "0" are cropping up frequently among the accountancy firms at the moment as they restructure their businesses for the coming millenium.

Emblazoned on glossy brochures and heading internal memos, KPMG Peat Marwick boasts proudly of "20/20 Vision". For Coopers & Lybrand, it is "Vision 2000". For Price Waterhouse, there is "MCS 2000".

Other firms are more sceptical of such public statements of change, arguing that the best strategies are those which are kept concealed from their competitors.

But all are indulging in organisational and numerical change of sorts, not least in shedding staff. Earlier this month, KPMG Peat Marwick made 28 of its 800-odd consulting staff redundant. Late last year, Price Waterhouse got rid of 150 of its 1,000 consulting staff.

One other thing that the firms have in common is a marketing drive to call themselves consultants – and not simply accountants. There is considerable justification to the claim. Much of the explosive growth during the 1980s did not come from audit work but from consulting. In the UK alone, the Big Six accounting firms generated £624m from consultancy in the 12 months to this spring.

Some £136m, or nearly one quarter of last year's total fee income from Coopers & Lybrand, the UK's largest firm, was from consulting. That was a larger contribution than came from either the tax or insolvency divisions, and more than half of the total from auditing.

Nearly £175m – or more than half of total income for Arthur Andersen – came from the firm's semi-autonomous consulting division, Andersen Consulting. Its growth dominates the firm and swamped the impressive expansion even in Andersen's audit department.

Andersen also dominates the overall market for consultants. A survey by Alpha Publications showed that billings from the firm throughout western Europe were $908m last year. Next came KPMG and Coopers & Lybrand. Only then came non-accountants: McKinsey and PA Consulting. The remaining Big Six firms were all represented among the top 10.

Accountants, in short, continue to dominate much of the market for consultancy. That reflects the degree to which they have wanted to provide the widest range of services as a "one-stop" shop to clients.

In particular, it shows the extent to which they have wanted to – and been able to – achieve considerable "leverage" by cross-selling other services to existing audit clients. That ratio hovers between 20 and 40 per cent for many of the firms.

This leverage has been one of the factors bringing the firms under growing scrutiny over potential conflicts of interest. Can auditors really exercise objective, critical judgement when examining work carried out by consultants from the same firm? Will the size of the total bill to a particular client sway independence when harsh comments could lead to loss of revenue?

These charges are dismissed by accountants. But Mr Malcolm Coster, head of consulting at Coopers & Lybrand, concedes there is at least a perceived conflict of interest, and that the position is likely to get tougher in the next few years.

Most of the firms see their biggest challenge as bringing greater focus to their work. In their desire to offer clients every possible service, they have expanded into activities well beyond the traditional preserve of the accountant.

Mr Brian Pomeroy at Touche Ross says that for his firm, these will include information technology, operations consulting and human resource management. Yet he also admits to tension, because he still wants the firm to respond to clients as "full-range suppliers".

On the other hand, Coopers & Lybrand recently announced publicly that it would not participate in tenders for schools inspector work. Mr Coster says that where competition has cut into the margins on some government work, he is no longer interested in tendering.

All this change is happening against a backdrop of fierce price competition, both from other accountancy firms and from niche consultants with far lower overheads. At the same time, the firms are having to face a very different type of client. Mr Michael Grunberg, managing director of the consulting arm of Stoy Hayward, says that on one recent tender, the potential customer asked the consultant to complete a written test.

"Buyers are becoming much more mature," he says. "They look at the CVs of the individuals who are going to be working on the team, not the salesmen. It's getting to the point where the cost of all bidders preparing is greater than the value of the contract."

It is also having an effect on the type of staff hired. Mr Clive Williams, head of consulting at Ernst & Young, says many firms took on too many inexperienced staff in the 1980s which they are now having to shed.

He believes the optimum size for a practice is 500 to 600 professionals. Further growth will come through a series of strategic alliances with specialist consultants. He negotiated his first with a boutique called Kalchas earlier this year and says he is discussing a further three.

Mr Bob Simm, head of consulting at KPMG Peat Marwick, says: "The consultant of the future will be a specialist not a generalist, hungrier than ever before, better able to operate at boardroom level, more able to articulate the skills he has to other business units and better able to price jobs sensibly."

Andrew Jack

Recession finds more and more companies farming out their "non-core" activities

Management sees the benefits

ONE OF the effects of the recession has been to focus management attention more closely on corporate strategy. As a result many companies have decided to concentrate on their "core competencies" and turn other activities over to external specialist contractors.

The concept of facilities management (FM) or contracting out non-core activities, is not new. Services such as catering, cleaning, transport and security have long been managed externally. One recent estimate put the size of the existing UK market alone at £4bn a year, dominated by giant business services companies such as BET.

But in the past few years many large companies and public sector organisations have begun to take a more radical approach, handing over or "out-sourcing" higher level headquarters functions such as accounting, telecommunications and corporate computer networks to outside contractors to run and manage.

Some draw a distinction between FM and out-sourcing, arguing that the old-fashioned FM function is at the commodity-end of the business with simple and well-defined tasks and the choice of contractor based solely on price.

In contrast, they argue, out-sourcing has emerged during the past five years and involves contracts based less on price than on a range of more intangible benefits, with a strong relationship between the client and contractor.

But whatever the definitions, use of FM and out-sourcing, particularly for IT functions, is growing rapidly. According to a recent survey of the FM market in the UK conducted by Computer Management Group (CMG), the privately-held consultancy, software and computer services group, a quarter of respondents were using third party FM services. Of the respondents who were using FM, 80 per cent were using hardware operations and application system maintenance services.

Sometimes FM users also transfer assets and staff to the service company which then manages the operation for a fee and operates much like a business partner.

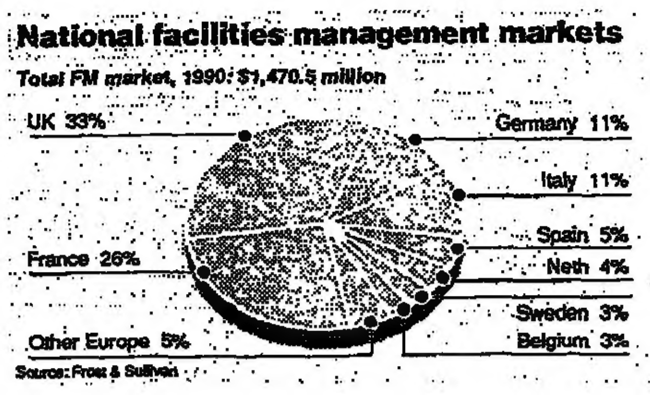
US corporations pioneered the use of FM in the information technology (IT) field, using software and computer services companies such as Electronic Data Systems (EDS), now part of General Motors, and Computer Sciences Corporation (CSM).

Mr Paul Hopkins, sales and marketing director for Sema Group's facilities management operations in the UK, reckons the British market is "about four or five years behind the US", but says use of facilities management or out-sourcing in Europe is now growing rapidly, particularly in markets such as Germany, Spain and Italy.

Frost & Sullivan, the market research group, estimates that the total European FM market is worth about $3.6bn and will be worth more than $8bn by the mid-1990s.

In spite of the growth on the continent, the UK is still by far the largest European market accounting for more than a third of the total. However, the UK is by no means a saturated market with penetration only a quarter of that in the US.

There are several reasons for the rapid recent growth in the FM and out-sourcing market. Most of the leading suppliers of IT out-sourcing argue that its growth stems primarily from companies deciding how they want to run their businesses, what resources they need in house and where they can gain from complementing their business with skills and services brought in from outside.



Thus the CMG survey confirms that, for most FM users, the motivating issue is the ability to concentrate on core business but, as Sema's Mr Hopkins notes, there are many other benefits claimed for FM.

These include cost savings and better value for money because FM specialists can bring economies of scale to bear on IT operations while providing customers with greater control over budgets and performance. Other attractions are less tangible, such as the expertise that a specialist contractor can bring to an operation, and the ability to release management time for more important issues.

Facilities management is now provided by a *proliferation of suppliers*

FM can also be useful for organisations undertaking significant change, for example those reorganising their IT operations or moving from proprietary systems to open systems. Sema describes these "bridging services" as one of four broad types of FM, the others being on-site management, where the FM company takes over the entire computer operation in situ and runs it, transferred facilities where the entire computer operation is transferred to the FM company's data centre, and first-time users who employ the FM company to set up a computer operations.

Predictably, the rapid growth in demand for FM and out-sourcing services has led to a proliferation of suppliers, ranging from the software and computer service companies, such as EDS and CSC of the US, the Anglo-French Sema Group and Cap Gemini Sogeti (CGS) of France, to the consulting arms of the big accounting firms such as Andersen Consulting and specialist consultancies such as CMG.

In addition, companies, such as the Capita group and ICL's 75 per cent-owned CFM subsidiary, have developed strong positions in the fast growing public sector market for FM while other companies such as Cadbury-Schweppes and Barclays Bank have set their internal IT operations up as semi-autonomous FM suppliers.

Fierce competition and a rapidly changing marketplace have also encouraged hardware vendors such as IBM and DEC to enter the market for FM. Indeed Mr John Rogers, director of Dataquest's European Systems, Software and Service's group, predicted in a recent report on the European FM market that "within five years, FM revenue will exceed mainframe revenue in the UK. The inclination to buy-in as opposed to do in-house will be unstoppable".

The Dataquest report suggested that the use of FM is probably the most important change taking place in the computer industry and that the main customers for mainframe machines in the future will be the FM suppliers themselves. The report also predicts that entry into the FM market by systems vendors will have a great effect on prices for FM in Europe.

Indeed, as the UK market for FM matures there is already evidence of tighter margins for FM suppliers. In the UK, over 100 members in the Computer Services Association would claim to be FM suppliers. Some consolidation has already taken place, but Sema's Mr Hopkins believes this will accelerate in next four or five years and lead eventually to perhaps as few as seven or eight leading FM suppliers emerging.

Other changes evident in the maturing UK market include the trend towards longer term and more variable contracts. Instead of fixed price contracts customers are insisting on contracts which vary according to IT demand. But perhaps most significantly Sema's Mr Hopkins says: "People are also beginning to see out-sourcing as a partnership arrangement and FM suppliers are getting closer to their customers." As a result he says more contracts are based upon "open book policy" with agreed mark-ups and an element of risk sharing.

Mr Ranald Bain of EDS-Scicon, EDS' UK subsidiary, also sees demand for FM and out-sourcing evolving rapidly in the UK. He says those in charge of business operations will concentrate on building alliances and partnerships, whether internal or external, which bring specific skills and solutions to support their plans.

"They will become less tolerant of generalists and more demanding of meaningful delivery commitments," he says. "This is already moving FM beyond IT-centred deals to relationships with third party suppliers to provide and support specific processes."

One example of the new style "process management out-sourcing" contract comes from Andersen Consulting' Process Management unit, which earlier this year signed an initial five-year $89m contract with BP to run all the financial and accounting services – including the related IT function – for BP's North Sea oil joint venture operations. As part of the deal, 250 BP staff have been transferred to Andersen Consulting which has consolidated the operation from five BP sites to one in Aberdeen.

Mr David Andrews, a partner with Andersen Consulting, says the market in Europe is "exploding with opportunity" for process management as European companies seek to introduce rapid change. He argues that a new out-sourcing model is being developed in Europe – a vertical cut of business process rather than the horizontal cut of IT.

FM and out-sourcing also have applications outside industry and commercial business.

In the US, the Federal Aviation Administration recently awarded EDS a five-year $508m computer operations contract – believed to be one of the largest US government out-sourcing agreements.

In the UK, public sector organisations such as local authorities and government departments are also turning to FM. For example, Berkshire County Council has contracted out its printing to Kodak facilities management and cut costs by about 15 per cent. In the IT field many district and county councils have already contracted out their computer operations.

But the biggest public sector FM contracts are likely to come from the introduction of "market testing" in central government which could lead to the award of huge FM contracts. The Inland revenue is talking to most of the leading FM suppliers about a seven-year £300m contract to run its computer operations from September next year.

Britain's government departments spend about £2bn a year on IT and employ between 20,000 to 22,000 IT staff, giving some indication of the possible scale of future central government out-sourcing contracts in the IT field alone.

Paul Taylor

Executive search is becoming more difficult

Job hunters line up

THE past two years have been tough for the executive search industry particularly those operating in the recession-hit US and UK markets.

According to Mr Ed Kelly, chief executive of Korn/Ferry International's London office, 1991 was "like a cold shower for the head hunting business", and there has been little improvement since then.

Across the US and the UK, two of the most developed markets for executive search, companies have been laying off middle and senior managers, sometimes by the thousands, in an effort to cut costs and improve competitiveness.

"Historically, recessions have not affected middle management, but for the first time an enormous number of middle and and even some top managers have been put out of work," says Mr Chuck Sweet, President of Chicago-based A T Kearney Executive Search.

Many employment consultants both sides of the Atlantic believe this marks more than a cyclical "cull". In many cases companies, including those in the service sector, appear to have decided to remove whole layers of management.

If this is indeed the case, there are many implications, not just for the executive search firms, but for educationists, management training organisations and others. However, the most immediate effect has been on the volume of out-of-work executives seeking new positions. Almost all the large executive search firms report a surge in "fan mail" – write-in applications from job hunters.

Unfortunately the headhunters also confirm that employers' "prejudice" against unemployed job candidates has, if anything, hardened. As a result they report that the quality of unemployed managers has improved dramatically. Nevertheless the executive search firms say they still cannot risk providing a client with a panel of candidates, all of whom are unemployed.

The recessionary climate has also forced other marked changes in the business. In good times clients use headhunters to find candidates for what Mr Gary Gibbons, a director in A T Kearney's London office calls "positive reasons" – perhaps an expansion programme or a new marketing initiative.

But in recessions most clients are looking at their cost base, and sometimes that means they are looking for a "stronger" candidate to replace an existing executive who is "not up to snuff".

As Mr Paul Buchanan-Barrow, managing partner of Korn/Ferry says, "any competent executive can make money for his company in a rising market. Recession needs and has bred a different type of manager".

He adds: "Companies are looking for individuals who can help turn the fortunes of a company around in the midst of an economic downturn. Candidates with a track record of this nature are much in demand."

But for search firms, finding this ideal candidate has probably never been more difficult. Not only will they often have to keep the client's name secret, but a far higher proportion of those they approach who are still in employment will weigh the risks of switching jobs and decide against a move.

"Those who are in work are much more circumspect and cautious about moving," says Mr Buchanan-Barrow. "They take a lot of persuading and are less confident in the health of the job market as a whole."

Ironically the downturn in the UK executive search market appears to have come just as the headhunters were winning wider acknowledgement of their skills. Most large UK organisations have now used executive search firms to help fill senior or specialist positions.

In its year end report Korn/Ferry said 70 per cent of human resource directors in leading UK enterprises said they had used search firms for senior management appointments. However, usage in the past two years was down by 40 per cent, and only 7 per cent of respondents said they planned to make more use of search.

Employers who have replaced headhunting with internal promotion and job advertising to cut their recruitment costs said they were well satisfied with the results and had no immediate plans to return to the headhunters. As a result Korn/Ferry concluded that "UK search firms will be fighting for a small share of a smaller cake and some will not survive".

According to Mr Stephen

Derek Mortimer: companies are experiencing indecision

Fletcher, head of KPMG Executive Selection and Search, the executive recruitment market is now at its lowest point since 1959. He says the search market has reduced, but not at the same rate as the drop in advertised vacancies, mainly as a result of good quality candidates writing directly to prospective employers.

He adds that there is growing evidence of search firms trading down market and taking on projects at salaries "well below £60,000", and predicts that competitors' aggressive market tactics will continue and that price discounting will become more widespread while pressure on costs remain.

Not surprisingly with the UK search market in the doldrums many of the big US/UK search firms have looked increasingly overseas for their growth. Most, such as Mr Fletcher of KPMG, expect demand for UK executives from overseas clients to increase significantly.

Indeed, the executive search business is increasingly international and firms without a network of European offices are at a serious disadvantage. So most headhunters, including market leaders in London, such as Russell Reynolds, have been rushing to open offices abroad, or at least to establish links with firms in other countries.

As companies have built up transnational operations, cross-border searches have also grown and continue to grow in spite of the recession. What is more clients will often pay up to a 20 per cent premium for a cross-border search.

A T Kearney is one of the firms that has been actively building up a string of European offices. Mr Gibbons says the majority of the work in the London office this year "has had at least one international element to the job".

In one case that meant finding a managing director for an overseas client setting up a UK subsidiary, and in another case finding an English-speaking candidate to work in Denmark as the European marketing director for a Denver-based high technology medical company. (In the last case the successful candidate was actually living in Switzerland.)

The changes in eastern Europe have also highlighted the growing international dimension to executive search. A T Kearney's Mr Gibbons says that with a growing number of western companies now beginning to set up operations in eastern Europe, many of them are looking for east European emigrés, preferably with some experience of western management, to return to their native countries.

Most of the big firms have found other ways to bolster flagging search fee income. For example, many have branched out to provide 'selection services', where advertisements are used to draw up shortlists. Among those firms which now have selection groups are Whitehead Mann which has Whitehead Selection, Korn/Ferry with K/F Associates and GKR which has St James Associates.

In addition Korn/Ferry owns Strategic Compensation Associates, a consultancy which specialises in advice on executive pay, while several other firms including GKR, offer clients a management 'audit', an assessment of the strengths and weaknesses of an existing management team – in competition with mainstream management consultancies.

Providing interim management is another diversification which has helped some search firms weather the recession. High level interim managers are often hired by companies undergoing a change or a crisis, and it is a growing business. Often they are employed for a matter of months, perhaps until permanent staff are found, or until a particular problem is resolved.

Several of the leading search firms have established specialist interim management arms including Egon Zehnder, which is a joint venture partner in Executive Interim Management (EIM), Heidrick Struggles with Protem, and Spencer Stuart with Stream Resources.

A review of the market for interim managers conducted by EIM earlier this year revealed a 25 per cent increase in the number of interim manager assignments carried out across Europe between 1990 and 1991 and forecast a similar rise this year.

Experienced chief executives and finance directors are particularly in demand, especially in the manufacturing and commercial sectors.

Mr Derek Mortimer, managing partner of Triple A, a UK-based interim management specialist, says that in spite of interim management's high added value, there is little doubt that the sector is more buoyant in an expanding market. "Nevertheless there have been a number of potentially powerful new entrants this year, more than replacing departures."

He says the demand for interim managers usually stems from a sense of urgency. "The urgency is in getting from point A to point B more speedily and efficiently than internal resources will allow. At present, companies are experiencing indecision and a lack of confidence brought about by uncertainty – a type of introspection which creates its own vicious circle.

"While understandable, for survival's sake the circle needs to be broken and positive movement forward made. This is exactly the situation where the extra momentum and objectivity of the interim manager can be used to kick-start and deliver the required result in record time."

Paul Taylor

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